

Flowidea Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2005

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COMPANIES HOUSE

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 2005.

PRINCIPAL ACTIVITIES

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

DIRECTORS

The following directors have held office since 1 January 2005:

H Angest

D Angest

DIRECTORS' INTERESTS IN SHARES

H Angest had beneficial ownership of 100% of the share capital of the company throughout the year under review.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made the following payments:

Political donations to EU parties and organisations

Charitable donations

2005

£

2004

£

270,004

160,971

27,130

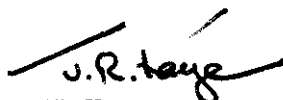
29,935

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

Date: **27 JUN 2006**

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

28 June 2006

Flowidea Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005

	<i>Notes</i>	2005 £	2004 £
INVESTMENT INCOME	2	2,486,253	2,205,348
Amounts written off investments	3	2,728	5,709
Interest payable		759,117	670,669
Other operating expenses	1	408,478	248,667
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,315,930	1,280,303
Taxation	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	1,315,930	1,280,303

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

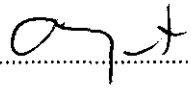
BALANCE SHEET

31 December 2005

			As restated (see Note 12)
	Notes	2005 £	2004 £
FIXED ASSETS			
Investments	7	15,738,001	12,850,007
CURRENT ASSETS			
Debtors	8	39,016	82,813
Cash at bank and in hand		1,694,778	938,931
		1,733,794	1,021,744
CREDITORS: Amounts falling due within one year	9	8,537,176	5,453,062
NET CURRENT LIABILITIES		(6,803,382)	(4,431,318)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,934,619	8,418,689
CREDITORS: Amounts falling due after more than one year	10	(4,700,000)	(4,700,000)
		4,234,619	3,718,689
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	4,234,519	3,718,589
SHAREHOLDERS' FUNDS	13	4,234,619	3,718,689

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 **27 JUN 2006** 2006

 Director
H Angest

Flowidea Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

GOING CONCERN

The company has net current liabilities. In the opinion of the directors, the company will be able to generate sufficient capital to meet its liabilities as they fall due. In view of this, these financial statements have been prepared on the basis that the company is a going concern.

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 2005

1.	OTHER OPERATING EXPENSES	2005 £	2004 £
	Administrative expenses	<u>408,478</u>	<u>248,667</u>
2.	INVESTMENT INCOME	2005 £	2004 £
	Income from participating interests	2,197,462	1,895,423
	Income from unlisted investments	257,830	274,488
	Bank interest	29,479	34,905
	Other investment income	<u>1,482</u>	<u>532</u>
		<u>2,486,253</u>	<u>2,205,348</u>
3.	AMOUNTS WRITTEN OFF INVESTMENTS	2005 £	2004 £
	Amounts written off fixed asset investments:	<u>2,728</u>	<u>5,709</u>
4.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005 £	2004 £
	Profit on ordinary activities before taxation is stated after charging:		
	Auditor's remuneration	<u>8,714</u>	<u>6,033</u>

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2005

5. TAXATION

Current tax charge	-	-
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,315,930	1,280,303
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	394,779	384,091
Effects of:		
Non deductible expenses	74,020	50,004
Dividends and distributions received	(659,723)	(576,934)
Other tax adjustments	190,924	142,839
	(394,779)	(384,091)
Current tax charge	-	-

The company has estimated losses of £ 4,803,241 (2004: £ 4,319,183) available for carry forward against future non trading income and gains.

6. DIVIDENDS PAID	2005 £	2004 £
In respect of ordinary shares:-		
Interim dividends paid totalling £6,000.00 per share (2004 - £6,000.00 per share)	600,000	600,000
Final dividend in respect of year ended 31 December 2004 - £2,000.00 per share	200,000	-
	800,000	600,000

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

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 2005	158,728	3,300,160	9,510,952	12,969,840
Additions	-	1,200,000	2,690,722	3,890,722
Investment redeemed	-	(1,000,000)	-	(1,000,000)
31 December 2005	158,728	3,500,160	12,201,674	15,860,562
Provisions for diminution in value				
1 January 2005	119,833	-	-	119,833
Increase in provision	2,728	-	-	2,728
31 December 2005	122,561	-	-	122,561
Net book value				
31 December 2005	36,167	3,500,160	12,201,674	15,738,001
31 December 2004	38,895	3,300,160	9,510,952	12,850,007

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

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>Subsidiary undertaking</u>			
Flowtrade Limited	England	Ordinary	100
<u>Participating interest</u>			
Arbuthnot Banking Group Plc	England	Ordinary	49

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	(5,716)	(790)
Arbuthnot Banking Group Plc	33,076,000	6,884,000

The stock exchange value of listed investments at 31 December 2005 was £31,971,011 (2004: £18,320,559).

Unlisted investments include £2,300,000 (2004: £3,300,000) of floating rate subordinated loan notes (2009) in Arbuthnot Banking Group Plc. These loan notes have been repaid since the balance sheet date. Unlisted investments

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

also include 1,600 (2004: 1,600), 10 pence ordinary shares in Thurleigh Estates Limited, being 15% of the issued ordinary share capital. A further 45% (2004: 45%) interest is held by Wyler Investments Limited, a company which is wholly owned by Mr H Angest - director and 100% beneficial shareholder in Flowidea Limited.

8. DEBTORS	2005	2004
	£	£
Due within one year:		
Amounts owed by group undertakings and undertakings in which the company has a participating interest	5,362	4,628
Other debtors	33,654	78,185
	<u>39,016</u>	<u>82,813</u>
9. CREDITORS: Amounts falling due within one year	2005	2004
	£	£
Bank overdraft	1,820	-
Bank loans	6,487,664	5,375,000
Amounts owed to group undertakings and undertakings in which the company has a participating interest	1,950,000	-
Other creditors	97,692	78,062
	<u>8,537,176</u>	<u>5,453,062</u>

£11,187,664 (2004:£10,075,000) of the bank loans above and in note 10 are secured by a lien over the shares and loan notes held in Arbuthnot Banking Group Plc, and personal guarantees from H Angest, a director of the company, amounting to £7,800,000 (2004: £7,800,000).

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2005

10. CREDITORS: Amounts falling due in more than one year	2005 £	2004 £
Bank loans	<u>4,700,000</u>	<u>4,700,000</u>
Loans		
Wholly repayable within five years	11,187,664	10,075,000
Included in current liabilities	<u>(6,487,664)</u>	<u>(5,375,000)</u>
	<u>4,700,000</u>	<u>4,700,000</u>
Loan maturity analysis:		
In more than one year but not more than two years	3,600,000	1,800,000
In more than two years but not more than five years	<u>1,100,000</u>	<u>2,900,000</u>
	<u>4,700,000</u>	<u>4,700,000</u>
11. SHARE CAPITAL	2005 £	2004 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

12. STATEMENT OF MOVEMENT ON RESERVES

	<i>Profit and loss account £</i>
1 January 2004 as previously stated	3,038,286
Profit for the year ended 31 December 2004	1,280,303
Dividends paid (see note 6)	(600,000)
1 January 2005 - as restated	3,718,589
Profit for the year ended 31 December 2005	1,315,930
Dividends paid (see note 6)	(800,000)
31 December 2005	<u>4,234,519</u>

In the year to 31 December 2005 the company adopted FRS 21 - Post Balance Sheet Events - for the first time. As a result dividends can only be recognised once they have been passed at a general meeting of the members, in the case of final dividends, and in the period in which they were paid in the case of interim dividends. This has had the effect of increasing the brought forward profit and loss reserve at 1 January 2005 by reversing the proposed dividend of £200,000 for the year ended 31 December 2004 and treating it as a movement on reserves during the year ended 31 December 2005.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 (as restated) £
Profit for the financial year	1,315,930	1,280,303
Dividends paid	(800,000)	(600,000)
Net addition to shareholders' funds	<u>515,930</u>	<u>680,303</u>
Opening shareholders' funds	3,718,689	3,038,386
Closing shareholders' funds	<u>4,234,619</u>	<u>3,718,689</u>

14. CAPITAL COMMITMENTS

On 27 April 2006 the company acquired 347,305 new 1 penny ordinary shares in Arbutnot Banking Group Plc for consideration of £2,083,830 taking its investment to 49.034%.

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2005

15. DONATIONS

Political Donations

During the year £270,004 (2004: £160,971) was donated to political organisations as detailed below:-

	2005
	£
Fresh Start Business Group	700
Angus Conservative Association	13,104
The Conservative Party	115,000
Kensington and Chelsea Conservative Association	1,000
Sedgefield Conservatives	200
The Conservative Party - Team 2000	35
North Essex Conservative Fighting Fund	1,000
ASD Conservative Campaign Fighting Fund	500
Direct Democracy Campaign	3,700
Conservative Way Forward	125
Scottish Conservative Centre Office	1,000
SCTA	400
Conservative Leadership Election Fund	100,000
CLWCA	1,300
The Black and White Conservative Ball	5,940
Labour Euro Safeguard Campaign	1,000
Adam Smith Institute	5,000
Centre for Policy Studies	10,000
Global Britain	10,000
	<hr/>
	270,004
	<hr/>

16. CONTROL

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

17. RELATED PARTY TRANSACTIONS

At the balance sheet date £5,362 (2004: £4,628) was due to the company from Flowtrade Limited a subsidiary undertaking of Flowidea Limited, and £1,950,000 (2004: £Nil) was due to Wyler Investments Limited a connected company by virtue of common control.

At 31 December 2005, the company held loan notes worth £2,300,000 (2004: £3,300,000) in Arbuthnot Banking Group Plc, a participating interest. During the year, interest totalling £257,830 (2004: £247,330) was received on these loan notes, the company also received dividends amounting to £2,197,462 (2004: £1,895,423) from Arbuthnot Banking Group Plc.