

Flowidea Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2006



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 UK Audit LLP
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 2006

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 2006

H Angest
D Angest

POLITICAL AND CHARITABLE DONATIONS

	2006
During the year the company made the following payments	£
<i>Political donations to EU parties and organisations -</i>	
Fresh Start Business Group	500
The Conservative Party	68 506
European Foundation	3 000
Kensington and Chelsea Conservative Association	500
The Tax Payers Alliance	10,000
Eurofacts	28
Focus on Scotland	800
CLWCA	1,700
CWNC	595
The Freedom Association	2,000
Conservative Shadow Ministerial Account	2,000
Carlton Political Dinner	2,000
Labour Euro Safeguard Campaign	1 000
Centre for Policy Studies	5,000
	<u>£ 97,629</u>
<i>Charitable donations</i>	<u>£ 19 300</u>

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Flowidea Limited

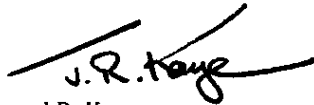
DIRECTORS' REPORT (CONTINUED)

AUDITORS

The directors, having since been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

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

19 June 2007

Flowidea Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 requirements of 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 6 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 at 31 December 2006 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP

BAKER TILLY UK AUDIT LLP

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

19 June 2007

Flowidea Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	<i>Notes</i>	2006 £	2005 £
INVESTMENT INCOME	2	2 361,366	2,486,253
Amounts written off investments	3	7,855	2,728
Interest payable		1,010 826	759,117
Other operating expenses	1	258,837	408,478
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,083,848	1,315,930
Taxation	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	1,083,848	1,315,930

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 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Investments	7	15 692 124	15,738,001
CURRENT ASSETS			
Debtors	8	12,197	39,016
Cash at bank and in hand		1,369,080	1,694,778
		1,381,277	1 733 794
CREDITORS Amounts falling due within one year	9	8,079,934	8,537,176
NET CURRENT LIABILITIES		(6 698,657)	(6,803,382)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,993,467	8,934,619
CREDITORS Amounts falling due after more than one year	10	(4,775 000)	(4,700,000)
		4,218,467	4,234,619
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	4,218,367	4,234,519
EQUITY SHAREHOLDERS' FUNDS	13	4 218 467	4,234 619

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

The financial statements on pages 6 to 14 were approved by the board of directors and authorised for issue on 19 June 2007 and are signed on its behalf by

H Angest



Director

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 2006

1	OTHER OPERATING EXPENSES	2006 £	2005 £
	Administrative expenses	<u>258,837</u>	<u>408,478</u>
2	INVESTMENT INCOME	2006 £	2005 £
	Income from participating interests	2,270,161	2,197,462
	Income from unlisted investments	31,248	257,830
	Bank interest	59,912	29,479
	Other investment income	45	1,482
		<u>2,361,366</u>	<u>2,486,253</u>
3	AMOUNTS WRITTEN OFF INVESTMENTS	2006 £	2005 £
	Amounts written off fixed asset investments	<u>7,855</u>	<u>2,728</u>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2006 £	2005 £
	Profit on ordinary activities before taxation is stated after charging Auditor's remuneration - Audit fees	<u>8,300</u>	<u>8,714</u>

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2006

5	TAXATION	2006 £	2005 £
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	1,083,848	1,315,930
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 30.00%)	325,154	394,779
	Effects of		
	Non deductible expenses	31,645	74,020
	Dividends and distributions received	(681,062)	(659,723)
	Other tax adjustments	324,263	190,924
		(325,154)	(394,779)
	Current tax charge	-	-

The company has estimated losses of £ 5,817,576 (2005 £ 4,803,241) available for carry forward against future non trading income and gains

6	DIVIDENDS PAID	2006 £	2005 £
	In respect of ordinary shares -		
	Interim dividends paid totalling £11,000.00 per share (2005 - £6,000.00 per share)	1,100,000	600,000
	Final paid - Nil (2005 - £2,000.00)	-	200,000
		1,100,000	800,000

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2006

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 2006	158,728	3 500,160	12,201,674	15,860 562
Additions	6,820	171,428	2,083,730	2,261,978
Loan notes repaid	-	(2,300,000)	-	(2,300,000)
31 December 2006	165,548	1,371,588	14,285,404	15,822,540
Provisions for diminution in value				
1 January 2006	122,561	-	-	122,561
Increase in provision	7,855	-	-	7,855
31 December 2006	130,416	-	-	130,416
Net book value				
31 December 2006	35 132	1 371,588	14 285,404	15,692 124
31 December 2005	36,167	3,500,160	12 201,674	15 738,001

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	(6,654)	(938)
Arbuthnot Banking Group Plc	43,301,000	6,137,000

The stock exchange value of listed investments at 31 December 2006 was £39,734,372 (2005 £31,971,011)

Unlisted investments include £nil (2005 £2,300,000) of floating rate subordinated loan notes (2009) in Arbuthnot Banking Group Plc. These loan notes were repaid during the period. Unlisted investments also include 1,600 (2005 1,600), 10 pence ordinary shares in Thurleigh Estates Limited, being 15% of the issued ordinary share capital. A further 45% (2005 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.

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2006

8	DEBTORS	2006 £	2005 £
	Due within one year		
	Amounts owed by group undertakings and undertakings in which the company has a participating interest	6,185	5,362
	Other debtors	6,012	33,654
		<u>12,197</u>	<u>39,016</u>

9	CREDITORS Amounts falling due within one year	2006 £	2005 £
	Bank overdraft	2,457	1,820
	Bank loans	7,850,000	6,487,664
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	1,950,000
	Other creditors	227,477	97,692
		<u>8,079,934</u>	<u>8,537,176</u>

The bank loans above and in note 10 are secured by a lien over the shares held in Arbuthnot Banking Group Plc, and personal guarantees from H Angest, a director of the company

10	CREDITORS Amounts falling due in more than one year	2006 £	2005 £
	Bank loans	<u>4,775,000</u>	<u>4,700,000</u>
	Loans		
	Wholly repayable within five years	12,625,000	11,187,664
	Included in current liabilities	(7,850,000)	(6,487,664)
		<u>4,775,000</u>	<u>4,700,000</u>
	Loan maturity analysis		
	In more than one year but not more than two years	200,000	3,600,000
	In more than two years but not more than five years	<u>4,575,000</u>	<u>1,100,000</u>

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2006

11 SHARE CAPITAL	2006 £	2005 £
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>

12 STATEMENT OF MOVEMENT ON RESERVES

	<i>Profit and loss account £</i>
1 January 2006	4 234,519
Retained profit for the year	1 083 848
Dividends paid	<u>(1,100,000)</u>
31 December 2006	<u>4,218,367</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2006 £	2005 £
Profit for the financial year	1,083 848	1,315,930
Dividends paid	<u>(1,100,000)</u>	<u>(800,000)</u>
Net (depletion in)/addition to shareholders' funds	(16,152)	515,930
Opening shareholders' funds	<u>4,234,619</u>	<u>3 718,689</u>
Closing shareholders' funds	<u>4,218,467</u>	<u>4,234,619</u>

14 CONTROL

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

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2006

15 RELATED PARTY TRANSACTIONS

At the balance sheet date £6,185 (2005 £5,362) was due to the company from Flowtrade Limited a subsidiary undertaking of Flowidea Limited and £nil (2005 £1,950,000) was due to Wyler Investments Limited a connected company by virtue of common control

During the year, the company's loan notes in Arbuthnot Banking Group Plc, a participating interest, were repaid (2005 £2,300,000) During the year, interest totalling £31,248 (2005 £257,830) was received on these loan notes, the company also received dividends amounting to £2,270,161 (2005 £2,197,462) from Arbuthnot Banking Group Plc

Included within administration expenses and accruals is £53,669 (2005 £Nil) due to the director, H Angest, for personal guarantees given on loans in the company

Thurleigh Estates (Dartmouth) Limited, a company over which a director, H Angest, has significant influence, owed £1,371,188 (2005 £1,199,760) to Flowidea Limited No interest accrued on this balance