

BROWALLIA PLC

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2004

Registered No: 4205727



BROWALLIA PLC

REPORT OF THE DIRECTORS

The Directors submit their Report and the audited financial statements for the year ended 30 April 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be that of a holding company throughout the year.

BOARD OF DIRECTORS

The Directors who held office throughout the year unless otherwise noted are:

PJPV Gyllenhammar (resigned 29th October 2004)

BJIM Lindstam

RP Baber

DR Wood

JAF Walker (appointed 13th December 2004)

CP Bonsey (appointed 10th May 2004, resigned 13th December 2004)

UE Linden (resigned 13th December 2004)

None of the Directors have an interest in the share capital of the Company. Mr PJPV Gyllenhammar has a 50% shareholding and Mr UE Linden has a 45% shareholding in Forvaltings AB Browallia, the ultimate parent company.

RESULTS

The loss for the period before tax amounted to £356,385 (2003: £470,417) which reflected the cost of funding.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

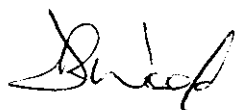
GOING CONCERN

The accounts have been prepared on a going concern basis, as confirmation has been received from the parent undertaking that adequate funding will be provided to allow the Company to meet its future liabilities as they fall due.

AUDITORS

The Company's Auditors, RSM Robson Rhodes LLP, have expressed their willingness to continue in office and a resolution for their appointment, also authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board



For and on behalf of
Cyprus Limited
Company Secretary

Registered address:
39 Cornhill
London
EC3V 3NU

27 January 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 for that period. In preparing those financial statements, the Directors are 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF BROWALLIA PLC

We have audited the financial statements on pages 4 to 9 of Browallia plc for the year ended 30 April 2004. The financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 and other members of the Group is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

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 affairs of the Company as at 30 April 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants & Registered Auditors
186 City Road
London
EC1V 2NU

27 January 2005

BROWALLIA PLC**PROFIT AND LOSS ACCOUNT**
for the year ended 30 April 2004

	Notes	Year ended 30 April 2004 £	Year ended 30 April 2003 £
Administrative expenses		(65,634)	(57,109)
Operating loss		(65,634)	(57,109)
Bank interest receivable		18,041	66,267
Interest payable	2	(308,792)	(479,575)
Loss on ordinary activities before taxation	3	(356,385)	(470,417)
Taxation	4	29,687	-
Loss on ordinary activities after taxation		(326,698)	(470,417)
Retained loss brought forward		(1,882,342)	(1,411,925)
Retained loss carried forward		(2,209,040)	(1,882,342)

The Company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

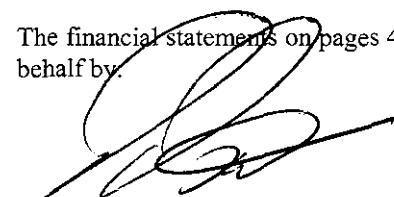
All operations are regarded as continuing.

The notes on pages 6 to 9 form part of these financial statements.

BROWALLIA PLC**BALANCE SHEET**
30 April 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Investments in subsidiaries	5	30,004,148	30,004,148
CURRENT ASSETS			
Debtors	6	98,165	68,478
Cash at bank and in hand		<u>546,644</u>	<u>1,153,438</u>
		644,809	1,221,916
CREDITORS: amounts falling due within one year	7	<u>(6,028,696)</u>	<u>(14,871,434)</u>
NET CURRENT LIABILITIES		<u>(5,383,887)</u>	<u>(13,649,518)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,620,261	16,354,630
CREDITORS: amounts due after more than one year	8	<u>(9,378,185)</u>	<u>(785,856)</u>
		<u>15,242,076</u>	<u>15,568,774</u>
CAPITAL AND RESERVES			
Called up share capital	9	17,451,116	17,451,116
Profit and loss account		<u>(2,209,040)</u>	<u>(1,882,342)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	10	<u>15,242,076</u>	<u>15,568,774</u>

The financial statements on pages 4 to 9 were approved by the Board of Directors on 27 January 2005 and were signed on its behalf by:



RP Baber
Director

BROWALLIA PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Investments in subsidiaries

Fixed asset investments are stated at cost less any provision for impairment.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Consolidated accounts

In accordance with the Companies Act 1985, consolidated financial statements are not required, the Company being a wholly owned subsidiary of another corporate body registered in European Union. Consolidated financial statements are prepared by the ultimate holding company.

Cash flow statement

The Company is a wholly owned subsidiary of Forvaltnings AB Browallia and the cash flows of the Company are included in the consolidated Cash Flow Statement of that company. In accordance with the terms of Financial Reporting Standard 1 (revised) the Company is exempt from preparing a Cash Flow Statement.

Going concern

The accounts have been prepared on a going concern basis, as confirmation has been received from the parent undertaking that adequate funding will be provided to allow the Company to meet its liabilities as they fall due.

2. Interest payable

	Year ended 30 April 2004 £	Year ended 30 April 2003 £
To loan note holders	19,625	40,017
To bank	174,751	337,010
To group companies	114,416	102,548
	<u>308,792</u>	<u>479,575</u>

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	Year ended 30 April 2004 £	Year ended 30 April 2003 £
Auditors' remuneration for audit services	<u>2,000</u>	<u>2,500</u>

None of the directors received any remuneration during the period in respect of their services to the Company.

BROWALLIA PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004 (continued)

4. Taxation

	Year ended 30 April 2004 £	Year ended 30 April 2003 £
a) Analysis of credit for the period:		
Group relief receivable at 30%	<u>29,687</u>	<u>-</u>
b) Factors affecting the tax credit for the period:		
Loss on ordinary activities before tax	<u>(356,385)</u>	<u>(470,417)</u>
Tax on loss on ordinary activities at standard tax rate of 30%	(106,915)	(141,125)
Effects of:		
Other short term timing differences	-	30,171
Unrelieved tax losses and other deductions arising in the period	<u>77,228</u>	<u>110,954</u>
	<u>(29,687)</u>	<u>-</u>

c) Factors that may affect future tax charges:

Due to the level of tax losses available, amounting at 30 April 2004 to £ 1,233,723 (2003: £1,186,778) future tax charges will be reduced significantly below the standard UK tax rate. A deferred tax asset has not been established in these financial statements in respect of the tax losses carried forward in view of the uncertainty over the period when those losses might be utilised.

5. Investment in subsidiary

	Total £
<u>Cost and net book value</u>	
At 1 May 2003 and 30 April 2004	<u>30,004,148</u>

Details of the Company's principal subsidiaries which are wholly owned and operate in their country of incorporation:

	Nature of business	Incorporated in
Browallia Holdings Limited	Investment holding company	England & Wales
Browallia Discount Company Limited *	Investment holding company	England & Wales
Browallia Equipment Finance Limited *	Equipment leasing	England & Wales

* owned indirectly

BROWALLIA PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004 (continued)

6. Debtors

	30 April 2004 £	30 April 2003 £
Group relief	85,665	55,978
Amounts owed by group undertakings	12,500	12,500
	<u>98,165</u>	<u>68,478</u>

7. Creditors: amounts falling due within one year

	30 April 2004 £	30 April 2003 £
Bank loan	2,797,052	3,825,265
Amounts due to group undertakings	2,493,924	10,384,199
Taxation and social security	11,928	8,003
Accruals and deferred income	40,000	153,443
Amounts due to shareholders of Union PLC	151,460	165,850
Redeemable loan notes	534,332	334,674
	<u>6,028,696</u>	<u>14,871,434</u>

The bank loan carried interest at a rate of 1.5% over the Bank of Scotland base rate and was secured against the shares of Browallia Holdings Limited (formerly Union PLC) owned by the Company. The bank loan was repaid in August 2004 by way of a loan from a fellow group company.

8. Creditors: amounts falling due after more than one year

	30 April 2004 £	30 April 2003 £
Amounts due to group companies	9,378,185	-
Redeemable loan notes	-	785,856
	<u>9,378,185</u>	<u>785,856</u>

During the year the company redeemed £586,198 of the redeemable loan notes at par value. As part of the cash bid for Union PLC (now Browallia Holdings Ltd), the Company offered a loan note alternative to the holders of the Union PLC shares. The loan notes have a nominal and issued value of £1. The loan notes are redeemable in whole or in part on any interest payment date from 31st October 2002 onwards and unless otherwise redeemed will be fully redeemed at par on 31st October 2007. The loan notes carry interest at a rate equivalent to the average of LIBOR for the last three business days prior to the payment date, less 1%. Interest is payable six-monthly, on 30 April and 31 October each year.

BROWALLIA PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2004 (continued)

9. Share capital

	30 April 2004 £	30 April 2003 £
Authorised ordinary shares - 20,000,000 of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted and called up ordinary shares of £1 each		
part-paid up - 50,000 at 25p	12,500	12,500
fully paid - 17,438,616 at £1	<u>17,438,616</u>	<u>17,438,616</u>
	<u>17,451,116</u>	<u>17,451,116</u>

10. Reconciliation of movements in equity shareholders' funds

	Year ended 30 April 2004 £	Year ended 30 April 2003 £
Loss for the financial year	(326,698)	(470,417)
Opening equity shareholders' funds	<u>15,568,774</u>	<u>16,039,191</u>
Closing equity shareholders' funds	<u>15,242,076</u>	<u>15,568,774</u>

11. Related party disclosures

The Company has taken advantage of the exemption, permitted by Financial Reporting Standard No.8, not to disclose transactions with the Browallia Holdings Limited (formerly Union PLC) group of companies.

12. Ultimate holding company and controlling company

Forvaltnings AB Browallia, which is incorporated in Sweden, is the ultimate holding Company and controlling Company. The financial statements of the ultimate holding Company are available from PRV Patent och Registreringsverket.