

COMPANY NUMBER: 3232759

**PIRTEK EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004**



PIRTEK EUROPE LIMITED
COMPANY INFORMATION

DIRECTORS:

J B Chaplin
R J McIntosh
W A J Pollock
R P Howard-Jones
M A Langford

SECRETARY:

M A Langford

AUDITORS:

Horwath Clark Whitehill LLP
Kennet House
80 Kings Road
Reading
Berkshire
RG1 3BL

BANKERS:

Royal Bank of Scotland
Blackfriars Branch
36/37 New Bridge Street
London
EC4V 6BJ

SOLICITORS:

Hobson Audley
7 Pilgrim Street
London
EC4V 6DR

REGISTERED OFFICE:

36 Acton Park Estate
The Vale
Acton
London
W3 7QE

PIRTEK EUROPE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2004

The directors present their report and financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company supplies services to its subsidiaries which operate in six European Countries, each subsidiary supporting the network of franchisees in each Country through the supply of products & services. The principal activity of the franchise network itself is the delivery of on site hose repair services.

RESULTS AND DIVIDENDS

The operational profit for the group, before amortisation of goodwill, was £1,267,638 (2003: £743,853). Amortisation of goodwill of £335,249 (2003: £335,249), net interest payable and other charges of £76,057 (2003: £156,066) and a tax charge of £114,095 (2003: £108,970) give a profit for the group after taxation of £784,131 (2003: £143,568).

During the year the European franchisee network made sales of £59.6m (2003: £52.8m).

The directors did not pay a dividend (2003: £Nil) during the period. No dividend (2003: £Nil) was paid in respect of the preference shares.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:-

	£1 Ordinary shares	
	At 31 March 2004	At 31 March 2003
	'B' Ordinary	'B' Ordinary
J B Chaplin	11,000	11,000
R J McIntosh	-	-
WA J Pollock	42,076	42,076
R P Howard-Jones (appointed 13 August 2003)	-	-
M A Langford (appointed 1 November 2003)	-	-
J Bright (resigned 31 May 2003)	-	-

The following directors have been granted options over the "C" ordinary shares of £0.001 each in Pirtek Europe Limited, at an exercise price of 0.1p per share.

	At 1 April 2003	Granted in Year	At 31 March 2004	Earliest exercisable Date
J B Chaplin	227,248	-	227,248	20 Dec 2002
J Bright	136,349	-	-	-

J Bright's share options lapsed on 31 May 2003 when he resigned as a director.

AUDITORS

Following the transfer of substantially all of the business of Horwath Clark Whitehill to a limited liability partnership on 1 April 2004, Horwath Clark Whitehill resigned and the directors appointed their successor, Horwath Clark Whitehill LLP, as auditors.

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

Approved by the Board on 23RD July 2004
and signed on its behalf by:

M A Langford
Secretary

PIRTEK EUROPE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the company and group at the end of the year and the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the group 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 group and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities. The directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIRTEK EUROPE LIMITED

We have audited the financial statements of Pirtek Europe Limited for the year ended 31 March 2004 which comprise Group Profit and Loss account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes. These 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 shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom 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.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PIRTEK EUROPE LIMITED**

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 the information in the financial statements.

UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of the group and of the company as at 31 March 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill LLP

HORWATH CLARK WHITEHILL LLP
Chartered Accountants and
Registered Auditors

Reading

26 July 2004

PIRTEK EUROPE LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
TURNOVER	2	16,735,246	14,620,810
Cost of sales		<u>(8,090,360)</u>	<u>(7,194,280)</u>
GROSS PROFIT		8,644,886	7,426,530
Distribution expenses		(1,020,978)	(953,824)
Administration expenses		<u>(6,356,270)</u>	<u>(5,728,853)</u>
PROFIT BEFORE AMORTISATION OF GOODWILL		1,267,638	743,853
Amortisation of goodwill		<u>(335,249)</u>	<u>(335,249)</u>
OPERATING PROFIT	3	932,389	408,604
Interest receivable		41,894	-
Interest payable	6	<u>(76,057)</u>	<u>(156,066)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		898,226	252,538
Taxation	7	<u>(114,095)</u>	<u>(108,970)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>784,131</u>	<u>143,568</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>£ 784,131</u>	<u>£ 143,568</u>
GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES			
		2004 £	2003 £
Profit for the year		784,131	143,568
Currency translation differences on foreign currency investments		<u>136,158</u>	<u>(122,185)</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		<u>£ 920,289</u>	<u>£ 21,383</u>

The notes on pages 10 to 21 form part of these financial statements

PIRTEK EUROPE LIMITED
GROUP BALANCE SHEET
31 MARCH 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Intangible fixed assets	8	4,681,929	5,017,178
Tangible fixed assets	9	<u>819,625</u>	<u>567,042</u>
		5,501,554	5,584,220
CURRENT ASSETS			
Stocks	12	2,368,041	2,043,176
Debtors	13	7,747,910	6,460,003
Cash at bank and in hand		<u>225,023</u>	<u>33,791</u>
		10,340,974	8,536,970
CREDITORS: Amounts falling due within one year	14	<u>(5,524,852)</u>	<u>(4,836,774)</u>
NET CURRENT ASSETS		<u>4,816,122</u>	<u>3,700,196</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,317,676	9,284,416
CREDITORS: Amounts falling due after more than one year	15	<u>(141,267)</u>	<u>(28,296)</u>
		<u>£ 10,176,409</u>	<u>£ 9,256,120</u>
CAPITAL AND RESERVES			
Called up share capital	18	4,565,959	4,565,959
Share premium account	18	8,771,236	8,771,236
Capital redemption reserve	18	23,799	23,799
Profit and loss account	18	<u>(3,184,585)</u>	<u>(4,104,874)</u>
Shareholders' funds including non-equity interests	18	<u>£ 10,176,409</u>	<u>£ 9,256,120</u>

Approved by the Board on 23rd July 2004
and signed on its behalf by

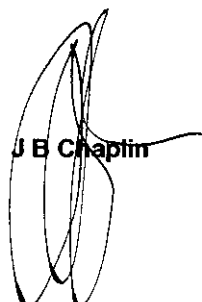

J B Chaplin

The notes on pages 10 to 21 form part of these financial statements

PIRTEK EUROPE LIMITED
COMPANY BALANCE SHEET
31 MARCH 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Investments	10	9,327,351	9,327,350
Tangible fixed assets	9	<u>-</u>	<u>72,523</u>
		9,327,351	9,399,873
CURRENT ASSETS			
Debtors	13	5,962,642	5,651,711
Cash at bank and in hand		<u>113,850</u>	<u>-</u>
		6,076,492	5,651,711
CREDITORS: Amounts falling due within one year	14	<u>(377,471)</u>	<u>(976,942)</u>
NET CURRENT ASSETS		<u>5,699,021</u>	<u>4,674,769</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,026,372	14,074,642
CREDITORS: Amounts falling due after more than one year	15	<u>-</u>	<u>-</u>
		<u>£ 15,026,372</u>	<u>£ 14,074,642</u>
CAPITAL AND RESERVES			
Called up share capital	18	4,565,959	4,565,959
Share premium account	18	8,771,236	8,771,236
Capital redemption reserve	18	23,799	23,799
Profit and loss account	18	<u>1,665,378</u>	<u>713,648</u>
Shareholders' funds including non-equity interests	18	<u>£ 15,026,372</u>	<u>£ 14,074,642</u>

Approved by the Board on 23rd July 2004
and signed on its behalf by


J B Chaplin

The notes on pages 10 to 21 form part of these financial statements

PIRTEK EUROPE LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
Net inflow from operating activities	21	619,085	1,429,084
Returns on investments and servicing of finance			
Interest received		41,894	-
Interest paid		<u>(76,057)</u>	<u>(339,089)</u>
Net cash outflow for returns on investments and servicing of finance		(34,163)	(339,089)
Taxation			
Corporation tax paid		1,279	(184,281)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(453,300)	(303,927)
Sale of fixed assets		<u>13,759</u>	<u>76,102</u>
Net cash outflow for capital expenditure and financial investment		<u>(439,541)</u>	<u>(227,825)</u>
Net cash inflow before financing		146,660	677,889
Financing			
Repayment of capital element of finance leases		115,246	(81,617)
Bank loans repaid		<u>(660,000)</u>	<u>(832,152)</u>
		<u>(544,754)</u>	<u>(913,769)</u>
Decrease in cash in the year	19	<u>£ (398,094)</u>	<u>£ (235,880)</u>

The notes on pages 10 to 21 form part of these financial statements

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES

a) Basis of accounting

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

b) Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life

Fixtures and fittings	- over 5 to 10 years
Furniture and office equipment	- over 5 years
Motor vehicles	- over 4 to 5 years

c) Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Goods for resale	- purchase cost on a first in, first out basis
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Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

d) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that are originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less tax.

e) Foreign currencies

Group

The accounts of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange rate differences arising on the retranslation of opening net assets is taken directly to reserves. All other transaction differences are taken to the profit and loss account.

Company

Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

f) Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES (continued)

g) Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis.

h) Basis of consolidation

The group accounts consolidate, using the acquisition method, the accounts of Pirtek Europe Limited and its subsidiaries made up to 31 March 2004. No profit and loss account is presented for Pirtek Europe Limited as provided by s.230 of the Companies Act 1985. The profit attributable to the members of Pirtek Europe Limited was £951,730 (2002: £188,329).

i) Goodwill

Purchased and consolidation goodwill is amortised through the profit and loss account over the directors' estimate of its useful life.

As required by Financial Reporting Standard No. 10 ('Goodwill and Intangible Assets') goodwill is being amortised so as to write off its value over its useful life of 20 years from the acquisition of the subsidiary to which the goodwill relates.

If a subsidiary, associate or business is sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax.

The group operates in one principal geographical segment, being Western Europe and in one principal area of activity being that of the supply of products & services to a franchised network engaged in the fitting of hydraulic hoses and associated components.

3. OPERATING PROFIT

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration - audit services	25,000	29,750
- non audit services	5,000	2,600
Depreciation	176,082	244,771
Amortisation of goodwill	335,249	335,249
Loss on disposal of fixed assets	4,269	11,212
Operating lease rentals - land and buildings	221,402	185,850
- plant and machinery	<u>214,604</u>	<u>192,861</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

4. DIRECTORS' EMOLUMENTS

	2004 £	2003 £
Aggregate emoluments	225,735	293,924
Company pension contributions	13,840	9,479
Sums paid to third parties for directors' services	71,340	21,818
Compensation for loss of office	<u>-</u>	<u>75,000</u>
	<u>310,915</u>	<u>400,221</u>
Number of directors to whom benefits were accruing under company pension scheme	<u>-</u>	<u>1</u>
Highest paid director		
Aggregate emoluments	132,308	118,000
Company pension contributions	6,134	1,890
Compensation for loss of office	<u>-</u>	<u>75,000</u>
	<u>£ 138,442</u>	<u>£ 194,890</u>

5. STAFF COSTS

	2004 £	2003 £
Wages and salaries	3,983,111	2,999,280
Social security costs	650,865	526,953
Pension costs	<u>67,899</u>	<u>76,107</u>
	<u>£4,701,875</u>	<u>£3,602,340</u>

The average monthly number of employees during the year was:

	2004 No.	2003 No.
Distribution	30	30
Administration	<u>64</u>	<u>58</u>
	<u>94</u>	<u>88</u>

During the year, no directors exercised share options.

6. INTEREST PAYABLE

	2004 £	2003 £
Bank loans and overdrafts	74,075	146,360
Other loans wholly repayable within five years	-	-
Finance charges payable under finance leases and hire purchase contracts	<u>1,982</u>	<u>9,706</u>
	<u>£ 76,057</u>	<u>£ 156,066</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

7. TAXATION

	2004 £	2003 £
UK taxation on UK profit	113,120	108,962
Foreign taxation suffered	7,476	5,300
Over provision for tax in earlier year	<u>(6,501)</u>	<u>(5,292)</u>
	<u>£ 114,095</u>	<u>£ 108,970</u>

DEFERRED TAX

There is a deferred tax asset of £250,000 (2003: £270,000) which relates to brought forward losses. This has not been accounted for as recovery of this is not expected within the next year.

RECONCILIATION OF CURRENT TAX CHARGE

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	2004 £	2003 £
Profit on ordinary activities before tax	<u>898,226</u>	<u>252,538</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	269,468	75,761
Effects of:		
Profits overseas relieved by profits brought forward	(244,549)	(8,113)
Expenses not deductible for tax purposes (primarily goodwill amortisation and investments write off)	95,677	46,614
Adjustment to tax charge in respect of previous periods	<u>(6,501)</u>	<u>(5,292)</u>
	<u>£ 114,095</u>	<u>£ 108,970</u>

8. INTANGIBLE FIXED ASSETS – Goodwill GROUP

	Goodwill £
COST:	
At 31 March 2003 and 31 March 2004	<u>6,706,984</u>
AMORTISATION:	
At 31 March 2003	1,689,806
Provided during the year	<u>335,249</u>
At 31 March 2004	<u>2,025,055</u>
NET BOOK VALUE:	
At 31 March 2004	<u>£ 4,681,929</u>
At 31 March 2003	<u>£ 5,017,178</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

9. TANGIBLE FIXED ASSETS
Group

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Assets under construction £	Total £
COST:					
At 31 March 2003	79,405	895,946	416,672	-	1,392,023
Foreign exchange adjustment	(141)	(11,725)	(427)	-	(12,293)
Additions	-	86,438	16,225	350,637	453,300
Disposals	<u>(46,550)</u>	<u>(7,850)</u>	<u>-</u>	<u>-</u>	<u>(54,400)</u>
At 31 March 2004	<u>32,714</u>	<u>962,809</u>	<u>432,470</u>	<u>350,637</u>	<u>1,778,630</u>
DEPRECIATION:					
At 31 March 2003	47,491	467,570	309,920	-	824,981
Foreign exchange adjustment	(59)	(5,268)	(359)	-	(5,686)
Charge in the year	15,192	123,448	37,442	-	176,082
Disposals	<u>(32,581)</u>	<u>(3,791)</u>	<u>-</u>	<u>-</u>	<u>(36,372)</u>
At 31 March 2004	<u>30,043</u>	<u>581,959</u>	<u>347,003</u>	<u>-</u>	<u>959,005</u>
NET BOOK VALUE:					
At 31 March 2004	<u>£ 2,671</u>	<u>£ 380,850</u>	<u>£ 85,467</u>	<u>£ 350,637</u>	<u>£ 819,625</u>
At 31 March 2003	<u>£ 119,205</u>	<u>£ 339,631</u>	<u>£ 108,206</u>	<u>£ -</u>	<u>£ 567,042</u>

Included in the net book value are amounts relating to assets held under hire purchase and finance leases amounting to £11,815 (2003: £37,782). Depreciation charged on these assets during the year amounted to £18,866 (2003: £20,813).

Company

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
COST:				
At 31 March 2003	31,181	71,706	139,340	242,227
Disposals	<u>(31,181)</u>	<u>(71,706)</u>	<u>(139,340)</u>	<u>(242,227)</u>
At 31 March 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEPRECIATION:				
At 31 March 2003	20,787	49,078	99,839	169,704
Disposals	<u>(20,787)</u>	<u>(49,078)</u>	<u>(99,839)</u>	<u>(169,704)</u>
At 31 March 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE:				
At 31 March 2004	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
At 31 March 2003	<u>£ 10,394</u>	<u>£ 22,628</u>	<u>£ 39,501</u>	<u>£ 72,523</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

10. FIXED ASSET INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY AND GROUP

COST:

At 31 March 2003 and at 31 March 2004 **£9,327,351**

11. PRINCIPAL FIXED ASSET INVESTMENTS

The company holds 100% of the share capital of the following:-

	Country of incorporation	Class of share	Nature of Business
Pirtek (UK) Limited	UK	Ordinary	Trading
SARL Pirtek France	France	Ordinary	Trading
Pirtek (Deutschland) GmbH	Germany	Ordinary	Trading
Pirtek BV	Holland	Ordinary	Trading
Rapid 8342 Limited	UK	Ordinary	Dormant
Pirtek Information Technology Solutions Limited	UK	Ordinary	Trading

All trading businesses are involved in the distribution of hydraulic hoses and associated fittings apart from Pirtek Information Technology Solutions Limited which is involved in developing a bespoke software solution for the franchise network.

12. STOCKS

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Goods for resale	<u>£2,368,041</u>	<u>£2,043,176</u>	<u>£ -</u>	<u>£ -</u>

13. DEBTORS

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	7,052,250	5,960,543	-	4,530
Other debtors	487,985	278,430	-	-
Amounts due from group companies	-	-	5,960,187	5,645,684
Prepayments and accrued income	<u>207,675</u>	<u>221,030</u>	<u>2,455</u>	<u>1,497</u>
	<u>£ 7,747,910</u>	<u>£ 6,460,003</u>	<u>£ 5,962,642</u>	<u>£ 5,651,711</u>

Included in trade debtors are amounts totalling £700,666 (2003: £1,102,142) which are due after more than one year.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	1,053,491	1,124,165	171,238	698,203
Obligations under finance leases and hire purchase contracts	49,344	47,069	-	13,267
Trade creditors	2,603,891	1,965,793	68,362	14,034
Other taxes and social security costs	522,945	264,210	26,331	35,038
Corporation tax	230,061	114,688	-	-
Other creditors and accruals	1,065,120	1,320,849	111,540	216,400
	<u>£ 5,524,852</u>	<u>£ 4,836,774</u>	<u>£ 377,471</u>	<u>£ 976,942</u>

The overdraft is secured by a fixed and floating charge over the assets of the company.

15. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Wholly repayable within five years				
Obligations under finance leases and hire purchase contracts	141,267	28,296	-	-
	<u>£ 141,267</u>	<u>£ 28,296</u>	<u>£ -</u>	<u>£ -</u>
 The loans are repayable as follows:				
Within one year	-	660,000	-	660,000
	<u>£ -</u>	<u>£ 660,000</u>	<u>£ -</u>	<u>£ 660,000</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
The maturity of these amounts is as follows:-				
Amounts payable (net of future finance charges)				
Within one year	49,344	47,069	-	13,267
In the second to fifth years	141,267	28,296	-	-
	<u>£ 190,611</u>	<u>£ 75,365</u>	<u>£ -</u>	<u>£ 13,267</u>

17. SHARE CAPITAL

	2004		2003	
	No.	Value	No.	Value
Authorised:				
'A' Ordinary shares of £1 each	16,974,200	16,974,200	16,974,200	16,974,200
'B' Ordinary shares of £1 each	3,004,400	3,004,400	3,004,400	3,004,400
'C' Ordinary shares of 0.1p each	400,000	400	400,000	400
Total Ordinary shares	<u>20,378,600</u>	<u>19,979,000</u>	<u>20,378,600</u>	<u>19,979,000</u>
Preference shares of 1p each	<u>2,100,000</u>	<u>21,000</u>	<u>2,100,000</u>	<u>21,000</u>
		<u>£20,000,000</u>		<u>£20,000,000</u>
Issued				
'A' Ordinary shares of £1 each	3,861,486	3,861,486	3,861,486	3,861,486
'B' Ordinary shares of £1 each	683,473	683,473	683,473	683,473
'C' Ordinary shares of 0.1 each	-	-	-	-
Total Ordinary shares	<u>4,544,959</u>	<u>4,544,959</u>	<u>4,544,959</u>	<u>4,544,959</u>
Preference shares of 1p each	<u>2,100,000</u>	<u>21,000</u>	<u>2,100,000</u>	<u>21,000</u>
		<u>£ 4,565,959</u>		<u>£ 4,565,959</u>

The preference shares are redeemable at a sum equal to the issue price of £1 per share.

All ordinary shares rank pari passu except on a winding up where distribution of assets is completed on the basis of a formula as set out in the Articles of Association adopted by special resolution on 20 December 2002.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

17. SHARE CAPITAL (continued)

At 31 March 2004 the following share options were in issue:-

	Number of Options	Date Awarded	Exercise Price	Period from Which exercisable
'C' Ordinary shares of 1p each	227,248	20 th Dec 2002	£ 0.001	20 th Dec 2002

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	Profit and Loss Account £	Share Capital £	Share Premium £	Capital Redemption Reserve £	Total £
At 31 March 2003	(4,104,874)	4,565,959	8,771,236	23,799	9,256,120
Retained profit for the year	784,131	-	-	-	784,131
Other recognised gains	136,158	-	-	-	136,158
At 31 March 2004	<u>£(3,184,585)</u>	<u>£4,565,959</u>	<u>£8,771,236</u>	<u>£ 23,799</u>	<u>£10,176,409</u>

	2004 £	2003 £
Equity	8,076,409	7,156,120
Non-equity	<u>2,100,000</u>	<u>2,100,000</u>
	<u>£ 10,176,409</u>	<u>£9,256,120</u>

Company

	Profit and Loss Account £	Share Capital £	Share Premium £	Capital Redemption Reserve £	Total £
At 31 March 2003	713,648	4,565,959	8,771,236	23,799	14,074,642
Retained profit for the year	<u>951,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>951,730</u>
At 31 March 2004	<u>£1,665,378</u>	<u>£4,565,959</u>	<u>£8,771,236</u>	<u>£ 23,799</u>	<u>£ 15,026,372</u>

	2004 £	2003 £
Equity	12,926,372	11,974,642
Non-equity	<u>2,100,000</u>	<u>2,100,000</u>
	<u>£ 15,026,372</u>	<u>£ 14,074,642</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Decrease in cash in the year	(398,094)	(235,880)
Repayment of bank debt	660,000	832,152
Repayment of capital element of finance leases	<u>(115,246)</u>	<u>81,617</u>
Movement in net funds in the year	146,660	677,889
Net debt at 1 April 2003	<u>(1,165,739)</u>	<u>(1,843,628)</u>
Net debt at 31 March 2004	<u>£ (1,019,079)</u>	<u>£ (1,165,739)</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2003 £	Cash flows £	At 31 March 2004 £
Cash at bank	33,791	191,232	225,023
Bank loans, overdrafts and other loans due within one year	(1,124,165)	70,674	(1,053,491)
Obligations under finance leases and hire purchase contracts	<u>(75,365)</u>	<u>(115,246)</u>	<u>(190,611)</u>
	<u>£ (1,165,739)</u>	<u>£ 146,660</u>	<u>£ (1,019,079)</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

21. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	932,389	408,604
Loss on disposal	4,269	11,212
Depreciation and amortisation of goodwill	511,330	580,020
(Increase)/decrease in stocks	(324,865)	(205,807)
Decrease/(increase) in debtors	(1,287,907)	122,867
Increase in creditors	641,104	646,466
Foreign exchange movements	<u>142,765</u>	<u>(134,278)</u>
	<u>£ 619,085</u>	<u>£ 1,429,084</u>

22. OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

Group

	Land and buildings 2004 £	2003 £	Other 2004 £	2003 £
Operating leases which expire				
Within one year	-	-	6,155	43,470
In two to five years	-	-	60,048	308,120
In over five years	<u>683,522</u>	<u>686,473</u>	-	-
	<u>£ 683,522</u>	<u>£ 686,473</u>	<u>£ 66,203</u>	<u>£ 351,590</u>

Company

	Land and buildings 2004 £	2003 £	Other 2004 £	2003 £
Operating leases which expire				
In two to five years	-	-	-	<u>7,510</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

23. RELATED PARTIES

The company has taken advantage of the exemption under FRS8 from disclosing transactions with group entities.

All transactions with related parties were on normal commercial terms.

Connolly Hydraulics Limited

During the year Pirtek (UK) Limited made sales of £174,174 (2003: £131,492) to Connolly Hydraulics Limited, controlled by the brother of R Mundell, a director of Pirtek (UK) Limited. At the balance sheet date the amount due from Connolly Hydraulics Limited was £49,827 (2003: £65,165). All transactions with Connolly Hydraulics Limited were on normal commercial terms. There is also a deferred loan of £100,967 (2003: £109,463) owed by Connolly Hydraulics Limited. The maximum amount outstanding relating to this loan during the year was £109,463 (2003: £114,088).

Pirtek BV

Up until 1 April 2004 the local manager in charge of Pirtek BV owned a majority stake in a franchise in Amsterdam. During the year the Amsterdam franchise purchased stock from Pirtek BV amounting to £127,982 (2003: £122,000) and made sales of £Nil (2003: £Nil) to Pirtek BV. The amount outstanding at 31 March 2004 from the Amsterdam franchise amounted to a deferred loan of £Nil (2003: £Nil) and trade debtors of £41,764 (2003: £44,322). The maximum amount outstanding in the year on the deferred loan was £Nil and the maximum amount outstanding in the year for trade debtors was £49,071.

Jademist Limited (Trading as Pirtek Kings Cross)

During the year, Pirtek UK Limited made sales of £62,088 (2003: £126,081) to Jademist Limited, a company owned by Pirtek UK Limited up to 1st November 2003.

At the balance sheet date, the amount due from Jademist Limited was NIL (2003: £37,163). There was no deferred loan.

All transactions with Jademist Limited were on normal commercial terms.

Pirtek Cambridge Limited

During the year, Pirtek UK Limited made sales to Pirtek Cambridge Limited, a company owned by Pirtek UK Limited from 1st November 2003 to 31st March 2004) of £90,947.

At the balance sheet date, £204,656 was owed to Pirtek UK Limited.

A deferred loan balance of £300,226 existed at the year end.

All transactions were on normal commercial terms.