

COMPANY NUMBER: 3232759

REGISTRARS COPY

**PIRTEK EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2003**



PIRTEK EUROPE LIMITED
COMPANY INFORMATION

DIRECTORS: J B Chaplin
R J McIntosh
W A J Pollock
R P Howard-Jones

SECRETARY: M A Langford

AUDITORS: Horwath Clark Whitehill
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 2003

The directors present their report and financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was that of a holding company of a group which distributes hydraulic hoses and associated fittings through a network of franchisees in six European countries.

RESULTS AND DIVIDENDS

The operational profit for the group, before amortisation of goodwill, was £743,853 (2002: £847,172). Amortisation of goodwill of £335,249 (2002: £335,249), net interest payable and other charges of £156,066 (2002: £483,099) and a tax charge of £108,970 (2002: £190,000) give a profit for the group after taxation of £143,568 (2002: loss £161,176).

The directors did not pay a dividend (2002: £Nil) during the period. No dividend (2002: £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 2003	At 31 March 2002
	'B' Ordinary	Ordinary
J B Chaplin	11,000	10,000
R J McIntosh	-	-
WA J Pollock	42,076	42,076
R P Howard-Jones (appointed 13 August 2003)	-	-
P D Brennan (resigned 31 May 2002)	55,538	111,066
J Bright (appointed 23 July 2002, resigned 31 May 2003)	-	-
P B Duncan (resigned 25 February 2003)	298,757	244,223

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.

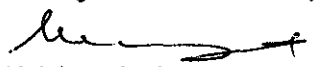
	At 1 April 2002	Granted in Year	At 31 March 2003	Earliest exercisable date
J B Chaplin	-	227,248	227,248	20 Dec 2002
J Bright	-	136,349	136,349	20 Dec 2002

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

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Horwath Clark Whitehill as auditors to the company will be put to the Annual General Meeting.

Approved by the Board on 30 October 2003
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 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 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 2003 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 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

W + A L Whitehill

HORWATH CLARK WHITEHILL
Chartered Accountants and
Registered Auditors

Reading

6 Nov 2003

PIRTEK EUROPE LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
TURNOVER	2	14,620,810	14,621,451
Cost of sales		<u>(6,157,126)</u>	<u>(5,089,035)</u>
GROSS PROFIT		8,463,684	9,532,416
Distribution expenses		(1,277,409)	(1,122,144)
Administration expenses		<u>(6,442,422)</u>	<u>(7,563,100)</u>
PROFIT BEFORE AMORTISATION OF GOODWILL		743,853	847,172
Amortisation of goodwill		<u>(335,249)</u>	<u>(335,249)</u>
OPERATING PROFIT	3	408,604	511,923
Exchange gains on retranslation of intra-group borrowings		-	21,523
Interest receivable		-	19,768
Interest payable	6	<u>(156,066)</u>	<u>(524,390)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		252,538	28,824
Taxation	7	<u>(108,970)</u>	<u>(190,000)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>143,568</u>	<u>(161,176)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>£ 143,568</u>	<u>£ (161,176)</u>

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

	2003 £	2002 £
Profit/(loss) for the year	143,568	(161,176)
Currency translation differences on foreign currency investments	(122,185)	45,838
Payment to repurchase shares	<u>-</u>	<u>(79,251)</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	<u>£ 21,383</u>	<u>£ (194,589)</u>

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

PIRTEK EUROPE LIMITED
GROUP BALANCE SHEET
31 MARCH 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible fixed assets	8	5,017,178	5,352,427
Tangible fixed assets	9	<u>567,042</u>	<u>583,107</u>
		5,584,220	5,935,534
CURRENT ASSETS			
Stocks	12	2,043,176	1,837,369
Debtors	13	6,460,003	6,582,870
Cash at bank and in hand		<u>33,791</u>	<u>381,782</u>
		8,536,970	8,802,021
CREDITORS: Amounts falling due within one year	14	<u>(4,836,774)</u>	<u>(4,802,841)</u>
NET CURRENT ASSETS		<u>3,700,196</u>	<u>3,999,180</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,284,416	9,934,714
CREDITORS: Amounts falling due after more than one year	15	<u>(28,296)</u>	<u>(699,977)</u>
		<u>£ 9,256,120</u>	<u>£ 9,234,737</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>(4,104,874)</u>	<u>(4,126,257)</u>
Shareholders' funds including non-equity interests	18	<u>£ 9,256,120</u>	<u>£ 9,234,737</u>

Approved by the Board on *30 October 2003*
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 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Investments	10	9,327,350	9,327,351
Tangible fixed assets	9	<u>72,523</u>	<u>122,883</u>
		9,399,873	9,450,234
CURRENT ASSETS			
Debtors	13	5,651,711	6,986,004
Cash at bank and in hand		<u>-</u>	<u>500</u>
		5,651,711	6,986,504
CREDITORS: Amounts falling due within one year	14	<u>(976,942)</u>	<u>(1,890,425)</u>
NET CURRENT ASSETS		<u>4,674,769</u>	<u>5,096,079</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,074,642	14,546,313
CREDITORS: Amounts falling due after more than one year	15	<u>-</u>	<u>(660,000)</u>
		£ 14,074,642	£ 13,886,313
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>713,648</u>	<u>525,319</u>
Shareholders' funds including non-equity interests	18	£ 14,074,642	£ 13,886,313

Approved by the Board on 30 October 2003
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 2003

	Notes	2003 £	2002 £
Net inflow from operating activities	21	1,429,084	219,288
Returns on investments and servicing of finance			
Interest received		-	19,768
Interest paid		(339,089)	(516,984)
Dividends paid on preference shares		<u>-</u>	<u>(126,115)</u>
		(339,089)	(623,331)
Taxation			
Corporation tax paid		(184,281)	(37,280)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(303,927)	(213,799)
Sale of fixed assets		<u>76,102</u>	<u>64,120</u>
		(227,825)	(149,679)
Net cash outflow before financing		677,889	(591,002)
Financing			
Issue of share capital		-	78,000
Purchase of shares		-	(79,251)
Repayment of capital element of finance leases		(81,617)	(126,620)
Bank loans advanced		-	1,410,000
Bank loans repaid		<u>(832,152)</u>	<u>(795,542)</u>
		(913,769)	486,587
Decrease in cash in the year	19	£ (235,880)	£ (104,415)

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 2003

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
------------------	--

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 2003

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 2003. 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 £188,329 (2002: profit £458,752).

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 and fitting of hydraulic hoses and associated components.

3. OPERATING PROFIT

	2003 £	2002 £
This is stated after charging:		
Auditors' remuneration - audit services	29,750	24,000
- non audit services	2,600	1,500
Depreciation	244,771	281,319
Amortisation of goodwill	335,249	335,249
Loss on disposal of fixed assets	11,212	16,216
Operating lease rentals - land and buildings	185,850	202,863
- plant and machinery	<u>192,861</u>	<u>92,858</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

4. DIRECTORS' EMOLUMENTS

	2003 £	2002 £
Aggregate emoluments	293,924	244,257
Company pension contributions	9,479	25,960
Sums paid to third parties for directors' services	21,818	23,751
Compensation for loss of office	<u>75,000</u>	<u>-</u>
Number of directors to whom benefits were accruing under company pension scheme	<u>1</u>	<u>2</u>
Highest paid director		
Aggregate emoluments	118,000	133,965
Company pension contributions	1,890	14,228
Compensation for loss of office	<u>75,000</u>	<u>-</u>

5. STAFF COSTS

	2003 £	2002 £
Wages and salaries	2,999,280	3,258,633
Social security costs	526,953	507,231
Pension costs	<u>76,107</u>	<u>50,737</u>
	<u>£3,602,340</u>	<u>£3,816,601</u>

The average monthly number of employees during the year was:

	2003 No.	2002 No.
Distribution	30	29
Administration	<u>58</u>	<u>62</u>
	<u>88</u>	<u>91</u>

During the year, no directors exercised share options.

6. INTEREST PAYABLE

	2003 £	2002 £
Bank loans and overdrafts	146,360	68,584
Other loans wholly repayable within five years	-	446,921
Finance charges payable under finance leases and hire purchase contracts	<u>9,706</u>	<u>8,885</u>
	<u>£ 156,066</u>	<u>£ 524,390</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

7. TAXATION

	2003 £	2002 £
UK taxation on UK profit	108,962	190,000
Foreign taxation suffered	5,300	-
Over provision for tax in earlier year	<u>(5,292)</u>	<u>-</u>
	£ 108,970	£ 190,000

DEFERRED TAX

There is a deferred tax asset of £270,000 (2002: £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 higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	2003 £	2002 £
Profit on ordinary activities before tax	<u>252,538</u>	<u>28,824</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	75,761	8,647
Effects of:		
Loss relief utilised		
Losses overseas not relieved under group relief purposes	(8,113)	12,972
Expenses not deductible for tax purposes (primarily goodwill amortisation and investments write off)	46,614	168,381
Adjustment to tax charge in respect of previous periods	<u>(5,292)</u>	<u>-</u>
	£ 108,970	£ 190,000

8. INTANGIBLE FIXED ASSETS – Goodwill GROUP

	Goodwill £
COST:	
At 31 March 2002 and 31 March 2003	<u>6,706,984</u>
AMORTISATION:	
At 31 March 2002	1,354,557
Provided during the year	<u>335,249</u>
At 31 March 2003	<u>1,689,806</u>
NET BOOK VALUE:	
At 31 March 2003	£ 5,017,178
At 31 March 2002	<u>£ 5,352,427</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

9. TANGIBLE FIXED ASSETS
Group

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
COST:				
At 31 March 2002	381,402	488,948	560,627	1,430,977
Foreign exchange adjustment	485	25,851	1,921	28,257
Additions	31,181	239,463	33,283	303,927
Disposals	<u>(206,029)</u>	<u>(25,163)</u>	<u>(9,087)</u>	<u>(240,279)</u>
At 31 March 2003	<u>207,039</u>	<u>729,099</u>	<u>586,744</u>	<u>1,522,882</u>
DEPRECIATION:				
At 31 March 2002	171,987	263,363	412,520	847,870
Foreign exchange adjustment	166	14,098	1,900	16,164
Charge in the year	46,713	124,853	73,205	244,771
Disposals	<u>(131,032)</u>	<u>(12,846)</u>	<u>(9,087)</u>	<u>(152,965)</u>
At 31 March 2003	<u>87,834</u>	<u>389,468</u>	<u>478,538</u>	<u>955,840</u>
NET BOOK VALUE:				
At 31 March 2003	<u>£ 119,205</u>	<u>£ 339,631</u>	<u>£ 108,206</u>	<u>£ 567,042</u>
At 31 March 2002	<u>£ 209,415</u>	<u>£ 225,585</u>	<u>£ 148,107</u>	<u>£ 583,107</u>

Included in the net book value are amounts relating to assets held under hire purchase and finance leases amounting to £37,782 (2002: £133,959). Depreciation charged on these assets during the year amounted to £20,813 (2002: £57,046).

Company

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
COST:				
At 31 March 2002	74,635	71,706	131,242	277,583
Additions	31,181	-	8,098	39,279
Disposals	<u>(74,635)</u>	<u>-</u>	<u>-</u>	<u>(74,635)</u>
At 31 March 2002	<u>31,181</u>	<u>71,706</u>	<u>139,340</u>	<u>242,227</u>
DEPRECIATION:				
At 31 March 2002	43,307	31,633	79,760	154,700
Charge in the year	16,614	17,445	20,079	54,138
Disposals	<u>(39,134)</u>	<u>-</u>	<u>-</u>	<u>(39,134)</u>
At 31 March 2003	<u>20,787</u>	<u>49,078</u>	<u>99,839</u>	<u>169,704</u>
NET BOOK VALUE:				
At 31 March 2003	<u>£ 10,394</u>	<u>£ 22,628</u>	<u>£ 39,501</u>	<u>£ 72,523</u>
At 31 March 2002	<u>£ 31,328</u>	<u>£ 40,073</u>	<u>£ 51,482</u>	<u>£ 122,883</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

10. FIXED ASSET INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY AND GROUP

COST:

At 31 March 2002 and at 31 March 2003

£ 9,327,350

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

All trading businesses are involved in the distribution of hydraulic hoses and associated fittings.

12. STOCKS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Goods for resale	<u>£2,043,176</u>	<u>£1,837,369</u>	<u>£ -</u>	<u>£ -</u>

13. DEBTORS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade debtors	5,960,543	6,079,555	4,530	400
Other debtors	278,430	271,879	-	-
Amounts due from group companies	-	-	5,645,684	6,985,604
Prepayments and accrued income	<u>221,030</u>	<u>231,436</u>	<u>1,497</u>	<u>-</u>
	<u>£ 6,460,003</u>	<u>£ 6,582,870</u>	<u>£ 5,651,711</u>	<u>£ 6,986,004</u>

Included in trade debtors are amounts totalling £1,102,142 (2002: £519,427) which are due after more than one year.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	1,124,165	1,408,428	698,203	1,406,837
Obligations under finance leases and hire purchase contracts	47,069	117,005	13,267	51,835
Trade creditors	1,965,793	1,644,848	14,034	22,446
Other taxes and social security costs	264,210	229,541	35,038	6,200
Corporation tax	114,688	190,000	-	-
Other creditors and accruals	<u>1,320,849</u>	<u>1,213,019</u>	<u>216,400</u>	<u>403,107</u>
	<u>£ 4,836,774</u>	<u>£ 4,802,841</u>	<u>£ 976,942</u>	<u>£ 1,890,425</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	
	2003	2002	2003	2002
	£	£	£	£
Wholly repayable within five years				
Bank loan	-	660,000	-	660,000
Obligations under finance leases and hire purchase contracts	<u>28,296</u>	<u>39,977</u>	<u>-</u>	<u>-</u>
	<u>£ 28,296</u>	<u>£ 699,977</u>	<u>£ -</u>	<u>£ 660,000</u>

The loans are repayable as follows:

Within one year	660,000	832,152	660,000	832,152
Between two and five years	<u>-</u>	<u>660,000</u>	<u>-</u>	<u>660,000</u>
	<u>£ 660,000</u>	<u>£ 1,492,152</u>	<u>£ 660,000</u>	<u>£ 1,492,152</u>

The bank loans bear interest at 5.8% and is repayable within one year. It is secured by a fixed and floating charge over the assets of the company.

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
The maturity of these amounts is as follows:-				
Amounts payable (net of future finance charges)				
Within one year	47,069	117,005	13,267	51,835
In the second to fifth years	28,296	39,977	-	-
	£ 75,365	£ 156,982	£ 13,267	£ 51,835

17. SHARE CAPITAL

	2003		2002	
	No.	Value	No.	Value
Authorised:				
Ordinary shares of £1 each	-	-	19,979,000	19,979,000
'A' Ordinary shares of £1 each	16,974,200	16,974,200	-	-
'B' Ordinary shares of £1 each	3,004,400	3,004,400	-	-
'C' Ordinary shares of 0.1p each	400,000	400	-	-
Total Ordinary shares	20,378,600	19,979,000	19,979,000	19,979,000
Preference shares of 1p each	2,100,000	21,000	2,100,000	21,000
		£20,000,000		£20,000,000
Issued				
Ordinary shares of £1 each	-	-	4,544,959	4,544,959
'A' Ordinary shares of £1 each	3,861,486	3,861,486	-	-
'B' Ordinary shares of £1 each	683,473	683,473	-	-
'C' Ordinary shares of 0.1 each	-	-	-	-
Total Ordinary shares	4,544,959	4,544,959	4,544,959	4,544,959
Preference shares of 1p each	2,100,000	21,000	2,100,000	21,000
		£ 4,565,959		£ 4,565,959

During the year 19,979,000 ordinary shares of £1 each were converted to 16,974,200 'A' ordinary shares of £1 each, 3,004,400 'B' ordinary shares of £1 each and 400,000 'C' ordinary shares of 1p each.

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 2003

17. SHARE CAPITAL (continued)

At 31 March 2003 the following share options were in issue:-

	Number of Options	Date Awarded	Exercise Price	Period from which exercisable
'C' Ordinary shares of 1p each	363,597	20 Dec 2002	£0.001	20 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 2002	(4,126,257)	4,565,959	8,771,236	23,799	9,234,737
Retained profit for the year	143,568	-	-	-	143,568
Other recognised gains	(122,185)	-	-	-	(122,185)
At 31 March 2003	<u>£(4,104,874)</u>	<u>£4,565,959</u>	<u>£8,771,236</u>	<u>£ 23,799</u>	<u>£9,256,120</u>
				2003 £	2002 £
Equity				7,156,120	7,134,737
Non-equity				<u>2,100,000</u>	<u>2,100,000</u>
				<u>£9,256,120</u>	<u>£9,234,737</u>

Company

	Profit and Loss Account £	Share Capital £	Share Premium £	Capital Redemption Reserve £	Total £
At 31 March 2002	525,319	4,565,959	8,771,236	23,799	13,886,313
Retained profit for the year	<u>188,329</u>	-	-	-	<u>188,329</u>
At 31 March 2003	<u>£ 713,648</u>	<u>£4,565,959</u>	<u>£8,771,236</u>	<u>£ 23,799</u>	<u>£ 14,074,642</u>
				2003 £	2002 £
Equity				11,974,642	11,786,313
Non-equity				<u>2,100,000</u>	<u>2,100,000</u>
				<u>£ 14,074,642</u>	<u>£ 13,886,313</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

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

	2003 £	2002 £
Decrease in cash in the year	(235,880)	(104,415)
Capitalisation of debt	-	8,871,110
New bank debt	-	(1,410,000)
Repayment of bank debt	832,152	795,542
Repayment of capital element of finance leases	<u>81,617</u>	<u>126,620</u>
Movement in net funds in the year	677,889	8,278,857
Net debt at 1 April 2002	<u>(1,843,628)</u>	<u>(10,122,485)</u>
Net debt at 31 March 2003	<u>£ (1,165,739)</u>	<u>£ (1,843,628)</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2002 £	Cash flows £	Other non- cash changes £	Transfers £	At 31 March 2003 £
Cash at bank	381,782	(347,991)	-	-	33,791
Bank loans, overdrafts and other loans due within one year	(1,408,428)	944,263	-	(660,000)	(1,124,165)
Debt due after one year	(660,000)	-	-	660,000	-
Obligations under finance leases and hire purchase contracts	<u>(156,982)</u>	<u>81,617</u>	<u>-</u>	<u>-</u>	<u>(75,365)</u>
	<u>£(1,843,628)</u>	<u>£ 677,889</u>	<u>£ -</u>	<u>£ -</u>	<u>£ (1,165,739)</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

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

	2003 £	2002 £
Operating profit	408,604	511,923
Loss on disposal	11,212	16,210
Depreciation and amortisation of goodwill	580,020	616,570
(Increase)/decrease in stocks	(205,807)	153,480
Decrease/(increase) in debtors	122,867	(1,694,085)
Increase in creditors	646,466	335,917
Write off of investment	-	204,453
Foreign exchange movements	(134,278)	74,820
	<u>£ 1,429,084</u>	<u>£ 219,288</u>

22. OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

Group

	Land and buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Operating leases which expire				
Within one year	-	-	43,470	-
In two to five years	-	71,000	308,120	100,283
In over five years	<u>686,473</u>	<u>138,600</u>	<u>-</u>	<u>-</u>
	<u>£ 686,473</u>	<u>£ 209,600</u>	<u>£ 351,590</u>	<u>£ 100,283</u>

Company

	Land and buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Operating leases which expire				
In two to five years	-	-	7,510	16,727
In over five years	<u>-</u>	<u>67,930</u>	<u>-</u>	<u>-</u>
	<u>£ -</u>	<u>£ 67,930</u>	<u>£ 7,510</u>	<u>£ 16,727</u>

PIRTEK EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

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.

Hose Express Limited

During the year Pirtek (UK) Limited made sales of £25,583 (2002: £93,404) to Hose Express Limited, a company incorporated in Great Britain and controlled by (up until 11 June 2002) A Wiggins, a director of Pirtek (UK) Limited.

Connolly Hydraulics Limited

During the year Pirtek (UK) Limited made sales of £131,492 (2002: £38,325) 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 £65,165 (2002: £54,968). All transactions with Connolly Hydraulics Limited were on normal commercial terms. There is also a deferred loan of £109,463 (2002: £50,257) owed by Connolly Hydraulics Limited. The maximum amount outstanding relating to this loan during the year was £114,088 (2002: £50,257).

Pirtek BV

The local manager in charge of Pirtek BV owns a franchise in Amsterdam. During the year the Amsterdam franchise purchased stock from Pirtek BV amounting to £122,000 (2002: £145,000) and made sales of £nil (2002: £7,000) to Pirtek BV. The amount outstanding at 31 March 2003 from the Amsterdam franchise amounted to a deferred loan of £nil (2002: £17,700) and trade debtors of £44,322 (2002: £31,500). The maximum amount outstanding in the year on the deferred loan was £17,700 and the maximum amount outstanding in the year for trade debtors was £45,615.