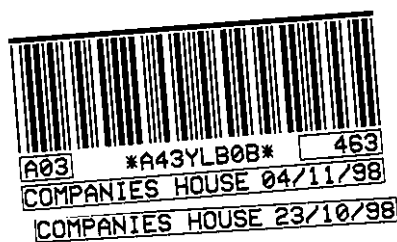


Pirtek Europe Limited

Report and Accounts
7 months ended March 31, 1998

Rees Pollock
Chartered Accountants



PIRTEK EUROPE LIMITEDDirectors

G C Summerfield
W Jackson
P D Brennan
P B Duncan
W G Davey
P Jowett

Secretary

P Jowett

Auditors

Rees Pollock
7 Pilgrim Street
London
EC4V 6DR

Bankers

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

Solicitors

Hobson Audley Hopkins & Wood
7 Pilgrim Street
London
EC4V 6DR

Registered Office

36 Acton Park Estate
The Vale
Acton
London
W3 7QE

Registered Number

3232759

PIRTEK EUROPE LIMITEDDIRECTORS' REPORT

The directors present their report and accounts for the 7 months to March 31, 1998.

Results and dividends

The loss for the group for the period after taxation amounted to £978,492 (Year to August 31, 1997 £67,588).

The directors paid a dividend of £11,519 during the period.

Review of the business

The company's principal activity during the period 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.

Fixed assets

The changes in the fixed assets during the period are summarised in notes 9 and 10 to the accounts.

Directors and their interests

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

	At March 31, 1998		At August 31, 1997	
	£1 Ordinary shares		£1 Ordinary shares	
	'A'	'B'	'A'	'B'
P D Brennan	16,666	8,334	16,666	8,334
P B Duncan	30,000	15,000	30,000	15,000
W G Davey	20,000	10,000	20,000	10,000
W Jackson	-	-	-	-
G C Summerfield	-	-	-	-
P Jowett (appointed May 10, 1998)	-	-	-	-

Year 2000

The company is currently undertaking a full review of all of its computer systems and other relevant equipment to ensure that they are able to operate effectively after December 31, 1999. The company believes that all of its operating systems will have been modified where necessary and that the Year 2000 problem will not pose a significant operational threat.

PIRTEK EUROPE LIMITEDDIRECTORS' REPORT

(continued)

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these accounts 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities. The directors confirm that these accounts comply with these requirements.

Auditors

A resolution to re-appoint Rees Pollock will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



P Jowett
Secretary

9 October, 1998

**REES POLLOCK***Chartered Accountants*

7 Pilgrim Street
London EC4V 6DR
Telephone 0171 329 6404
Fax 0171 329 6408

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PIRTEK EUROPE LIMITED**

We have audited the accounts on pages 5 to 21 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the group and of the company at March 31, 1998 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock
Chartered Accountants
Registered Auditor

October 9, 1998

PIRTEK EUROPE LIMITEDGROUP PROFIT AND LOSS ACCOUNT
FOR THE SEVEN MONTH PERIOD ENDED MARCH 31, 1998

	Notes	7 months to March 31, 1998 £	Period to August 31, 1997 £
Turnover	2	5,331,236	7,669,918
Cost of sales		3,117,725	4,129,716
Gross profit		2,213,511	3,540,202
Distribution expenses		(332,147)	(487,925)
Administration expenses		(2,337,332)	(1,974,370)
Operating (loss)/profit	4	(455,968)	1,077,907
Interest payable	6	(522,524)	(20,140)
(Loss)/profit on ordinary activities before taxation		(978,492)	1,057,767
Taxation on profit on ordinary activities	7	-	(495,743)
(Loss)/profit on ordinary activities after taxation		(978,492)	562,024
Minority interest		-	(629,612)
Dividends paid		(978,492) 11,519	(67,588) -
Retained loss for the period		(990,011)	(67,588)

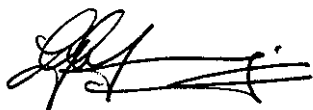
GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

	£	£
Loss for the period	(978,492)	(67,588)
Currency translation differences on foreign currency investments	51,009	(16,605)
	(927,483)	(84,193)

The notes on pages 10 to 21 form part of these accounts

PIRTEK EUROPE LIMITEDGROUP BALANCE SHEET AT MARCH 31, 1998

	Notes	March 31, 1998 £	August 31, 1997 £
Fixed assets			
Intangible assets	8	6,706,984	6,704,984
Tangible assets	9	783,975	400,831
		-----	-----
		7,490,959	7,105,815
Current assets			
Investments	12	25,000	-
Stocks	13	1,163,474	1,040,196
Debtors	14	3,689,870	3,932,041
Cash at bank and in hand		577,429	205,623
		-----	-----
		5,455,773	5,177,860
Creditors: amounts falling due within one year	15	(3,315,909)	(2,697,395)
		-----	-----
Net current assets		2,139,864	2,480,465
		-----	-----
Total assets less current liabilities		9,630,823	9,586,280
		=====	=====
Creditors: amounts falling due after more than one year	16	9,754,018	9,270,473
Capital and reserves			
Called up share capital	18	306,000	301,000
Share premium account	19	594,000	99,000
Profit and loss account	19	(1,023,195)	(84,193)
		-----	-----
Shareholders' funds including non-equity interests		(123,195)	315,807
		-----	-----
		9,630,823	9,586,280
		=====	=====



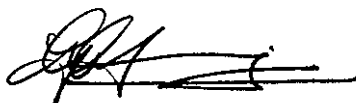
Director

OCTOBER 9, 1998

The notes on pages 10 to 21 form part of these accounts

PIRTEK EUROPE LIMITEDCOMPANY BALANCE SHEET AS AT MARCH 31, 1998

	Notes		March 31, 1998 £	August 31, 1997 £
Fixed assets				
Tangible assets	9		118,273	35,713
Investments	10		9,154,667	9,152,667
			-----	-----
			9,272,940	9,188,380
Current assets				
Debtors	14	1,566,082		232,944
Cash at bank and in hand		159,440		26,541
		-----		-----
		1,725,522		259,485
Creditors: amounts falling due within one year	15	(583,295)		(229,066)
		-----		-----
Net current assets			1,142,227	30,419
			-----	-----
Total assets less current liabilities			10,415,167	9,218,799
			=====	=====
Creditors: amounts falling due after more than one year	16		9,510,710	9,202,380
Capital and reserves:				
Called up share capital	18	306,000		301,000
Share premium account	19	594,000		99,000
Profit and loss account		4,457		(383,581)
		-----		-----
Shareholders funds			904,457	16,419
			-----	-----
			10,415,167	9,218,799
			=====	=====



Director

October 29, 1998

PIRTEK EUROPE LIMITEDGROUP STATEMENT OF CASH FLOWS

	7 months to March 31, 1998	Period to August 31, 1997
	£	£
Cashflow from continuing operating activities	405,783	72,883
Returns on investments and servicing of finance		
Interest paid	(336,184)	(20,140)
Dividends paid on preference shares	(11,519)	-
	-----	-----
	(347,703)	(20,140)
Taxation		
Corporation tax paid	(600,119)	(292,308)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(124,558)	(103,931)
Sale of fixed assets	7,560	-
	-----	-----
	(116,998)	(103,931)
Acquisitions	(2,000)	(280,989)
	-----	-----
Net cash outflow before financing	(661,037)	(624,485)
Financing		
Issue of share capital	500,000	250,000
Repayment of capital element of finance leases	(87,377)	(46,178)
Bank loans advanced	585,881	720,511
	-----	-----
	998,504	924,333
	-----	-----
Increase in cash in the period	337,467	299,848
	=====	=====

PIRTEK EUROPE LIMITEDGROUP STATEMENT OF CASH FLOWSNotes to the cashflow statement(a) Reconciliation of net cash flow to movement in net funds

	7 months to March 31, 1998 £	Period to August 31, 1997 £
Increase in cash in the period	337,467	299,848
Loan notes issued	-	(8,800,000)
New bank debt	(585,881)	(720,511)
New hire purchase agreements	(325,008)	(75,000)
Hire purchase agreements acquired	-	(66,000)
Repayment of capital element of finance leases	87,377	46,178
Exchange rate differences	51,009	(16,605)
	-----	-----
Movement in net funds in the period	(435,116)	(9,332,090)
Net debt at September 1, 1997	(9,332,090)	-
	-----	-----
Net debt at March 31, 1998	(9,767,206)	(9,332,090)
	=====	=====

(B) Analysis of changes in net debt

	At September 1, 1997 £	Cashflows £	Other changes £	Exchange movement £	At March 31, 1998 £
Cash at bank	205,623	320,797	-	51,009	577,429
Current asset investment	-	25,000	-	-	25,000
Bank loans due within one year	(220,511)	(285,881)	-	-	(506,392)
Debt due after one year	(9,202,380)	(300,000)	(8,330)	-	(9,510,710)
Obligations under finance leases and hire purchase contracts	(114,822)	87,377	(325,088)	-	(352,533)
	-----	-----	-----	-----	-----
	(9,332,090)	(152,707)	(333,418)	51,009	(9,767,206)
	=====	=====	=====	=====	=====

(c) Reconciliation of operating profit to net cash inflow from operating activities

	7 months to March 31 1998 £	Period to August 31 1997 £
Operating (loss)/profit	(455,968)	1,077,907
Loss on disposal	389	-
Depreciation	58,552	62,100
Increase in stocks	(123,278)	(217,803)
Decrease/(Increase) in debtors	242,171	(983,041)
Increase in creditors	683,917	133,720
	-----	-----
	405,783	72,883
	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 19981. Accounting policiesAccounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

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

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:

Raw materials and 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.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

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 translation 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 period are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

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 LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

1. Accounting policies (continued)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.

Basis of consolidation

The group accounts consolidate, using the acquisition method, the accounts of Pirtek Europe Limited and its subsidiaries made up to March 31, 1998. 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 £399,557 (1997: loss £383,581).

Goodwill

Purchased and consolidation goodwill is amortised through the profit and loss account over the directors' estimate of its useful life. The £6.7m goodwill arising on the acquisition of Pirtek (UK) Limited has not been amortised as the directors do not believe it appropriate.

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 and segmental analysis

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. The group operates in one principal area of activity that of the supply and fitting of hydraulic hoses and associated components.

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

3. Group profit and loss account for the year ended March 31, 1998

Had Pirtek Europe Limited prepared accounts for a 12 month period the results for the year ended March 31, 1998 (ignoring minority interest) would have been:-

	£
Turnover	8,869,521
Cost of sales	5,098,977

Gross profit	3,770,544
Distribution expenses	(534,702)
Administration expenses	(3,184,679)

Operating profit	51,163
Interest receivable	21,784
Interest payable	(546,165)

Loss for the year before taxation	(473,218)
Taxation	(252,860)

Loss for the year after taxation	(726,078)
	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

4. Operating profit

	7 months to March 31 1998 £	Period to August 31 1997 £
This is stated after charging:		
Directors' remuneration - emoluments	43,750	114,137
- pension contributions	3,500	6,000
Auditors' remuneration - audit services	22,000	22,000
- non audit services	14,000	14,000
Depreciation of owned fixed assets	49,247	49,176
Depreciation of assets held under finance leases and hire purchase contracts	9,305	12,924
	=====	=====

5. Staff costs

Wages and salaries	798,003	888,833
Social security costs	78,100	88,694
Other pension costs	65,533	54,249
	-----	-----
	941,636	1,031,776
	=====	=====

The average monthly number of employees during the period was 63 (1997: 49).

6. Interest payable

Bank loans and overdrafts	27,296	13,560
Other loans not wholly repayable within five years	494,165	-
Finance charges payable under finance leases and hire purchase contracts	1,063	6,580
	-----	-----
	522,524	20,140
	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

7. Tax on loss on ordinary activities

	7 months to March 31 1998 £	Period to August 31 1997 £
Corporation tax	-	495,743
	=====	=====

8. Intangible fixed assets

<u>Group</u>	Goodwill £
Costs:	
At August 31, 1997	6,704,984
Additions	2,000

At March 31, 1998	6,706,984
	=====

9. Tangible fixed assets

<u>Group</u>	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
Cost:				
At August 31, 1997	295,970	151,023	223,416	670,409
Additions	90,289	68,872	290,485	449,646
Disposals	(25,625)	-	-	(25,625)
	-----	-----	-----	-----
At March 31, 1998	360,634	219,895	513,901	1,094,430
	-----	-----	-----	-----
Depreciation:				
At August 31, 1997	96,148	98,775	74,655	269,578
Charge in period	10,644	13,910	33,999	58,552
Disposals	(17,676)	-	-	(17,676)
	-----	-----	-----	-----
At March 31, 1998	89,116	112,685	108,654	310,455
	-----	-----	-----	-----
Net book value:				
At March 31, 1998	271,518	107,210	405,247	783,975
	=====	=====	=====	=====
At August 31, 1997	199,822	52,248	148,761	400,831
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

9. Tangible fixed assets continuedCompany

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
Cost:				
At August 31, 1997	-	19,923	22,227	42,150
Additions	21,159	37,667	36,617	95,443
	-----	-----	-----	-----
At March 31, 1998	21,159	57,590	58,844	137,593
	-----	-----	-----	-----
Depreciation:				
At August 31, 1997	-	1,992	4,445	6,437
Charge in period	4,937	2,889	5,057	12,883
	-----	-----	-----	-----
At March 31, 1998	4,937	4,881	9,502	19,320
	-----	-----	-----	-----
Net book value:				
At March 31, 1998	16,222	52,709	49,342	118,273
	=====	=====	=====	=====
At August 31, 1997	-	17,931	17,782	35,713
	=====	=====	=====	=====

10. Fixed asset investments in subsidiary undertakingsCompany

	£
Cost	
At August 31, 1997	9,152,667
Additions	2,000

Cost at March 31, 1998	9,154,667
	=====

See note 11 for additional information regarding the company's subsidiaries.

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

11. Principal fixed asset investments

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

Name	Country of incorporation	Class of share		Nature of business
Pirtek UK Limited	UK	Ordinary	}	Distribution of
SARL Pirtek France	France	Ordinary	}	hydraulic hoses
Pirtek (Deutschland) GmbH	Germany	Ordinary	}	and associated
Pirtek BV	Holland	Ordinary	}	fittings
SARL Pirtek Support Services	France	Ordinary		European support company
Pirtek Investments Limited	UK	Ordinary		Investment company
Hirocket plc	UK	Ordinary		Dormant

The company purchased the entire share capital of Hirocket plc during the year for a consideration of £2,000 satisfied in cash. Hirocket plc had net assets of £nil at the time of acquisition.

12. Current asset investment-shares in unquoted company

	£
At August 31, 1997	-
Additions	25,000

At March 31, 1998	25,000
	=====

13. Stocks

	Group		Company	
	March 31 1998 £	August 31 1997 £	March 31 1998 £	August 31 1997 £
Raw materials and goods for resale	1,163,474	1,040,196	-	-
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

14. Debtors

	Group		Company	
	March 31	August 31	March 31	August 31
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	3,093,111	3,782,659	-	-
Other debtors	501,407	140,175	72,459	38,951
Amounts due from group companies	-	-	1,493,623	193,993
Prepayments and accrued income	95,352	9,207	-	-
	-----	-----	-----	-----
	3,689,870	3,932,041	1,566,082	232,944
	=====	=====	=====	=====

Included in trade debtors are amounts totalling £380,568 which are due after more than one year.

15. Creditors: amounts falling due within one year

	Group		Company	
	March 31	August 31	March 31	August 31
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts	506,392	220,511	-	-
Obligations under finance leases and hire purchase contracts (see note 17)	109,225	46,729	-	-
Trade creditors	1,782,622	1,384,602	103,558	49,926
Other taxes and social security costs	271,182	118,225	66,735	5,106
Corporation tax	158,315	758,435	-	-
Other creditors and accruals	488,173	168,893	413,002	77,033
Amounts due to group companies	-	-	-	97,001
	-----	-----	-----	-----
	3,315,909	2,697,395	583,295	229,066
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

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

	Group		Company	
	March 31 1998	August 31 1997	March 31 1998	August 31 1997
	£	£	£	£
Not wholly repayable within five years:				
£8,800,000 unsecured 8% loan notes				
repayable in annual installments of £2,200,000				
commencing July 31, 2000	8,710,710	8,702,380	8,710,710	8,702,380
Wholly repayable within five years:				
Bank loan	800,000	500,000	800,000	500,000
	-----	-----	-----	-----
	9,510,710	9,202,380	9,510,710	9,202,380
Obligations under finance leases and				
hire purchase contracts (see note 17)	243,308	68,093	-	-
	-----	-----	-----	-----
	9,754,081	9,270,473	9,510,710	9,202,380
	=====	=====	=====	=====
The loans are repayable as follows:				
Between two and five years	7,400,000	7,100,000	7,400,000	7,100,000
In five years or more	2,200,000	2,200,000	2,200,000	2,200,000
	-----	-----	-----	-----
	9,600,000	9,300,000	9,600,000	9,300,000
Less: unamortised issue expenses	(89,290)	(97,620)	(89,290)	(97,620)
	-----	-----	-----	-----
	9,510,710	9,202,380	9,510,710	9,202,380
	=====	=====	=====	=====

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

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	March 31 1998 £	August 31 1997 £
Amounts payable:		
Within one year	116,869	61,847
In the second to fifth years inclusive	252,704	79,970
	-----	-----
	369,573	141,817
Less: Finance charges allocated to future periods	(17,040)	(26,995)
	-----	-----
	352,533	114,822
	=====	=====
Finance leases are analysed as follows:		
Current obligations	109,225	46,729
Non-current obligations	243,308	68,093
	-----	-----
	352,533	114,822
	=====	=====

18. Share capital

	Authorised		Allotted, called up and fully paid	
	March 31 1998 No.	August 31 1997 No.	March 31 1998 £	August 31 1997 £
Preferred ordinary £1	150,000	150,000	150,000	150,000
Ordinary 'A' shares £1	100,000	100,000	100,000	100,000
Ordinary 'B' shares £1	90,000	50,000	50,000	50,000
Preference shares 1p	2,100,000	2,100,000	6,000	1,000
Deferred ordinary shares £1	50,000	50,000	-	-
	=====	=====	=====	=====

On February 25, 1998 500,000 1p preference shares were issued at £1 each for cash.

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

18. Share capital continued

The shares have the following rights:

Preferred ordinary shares

The Preferred ordinary shares carry 49% of the voting rights (increasing to 60% if certain operational targets are not met). For each financial year commencing on or after March 31, 2001 they are entitled to a cumulative preferential dividend equal to 20% of the profit after tax. The holders of the Preferred ordinary shares are entitled to appoint one director. The Preferred ordinary shares are convertible to A ordinary shares and Deferred ordinary shares upon the sale of the Company or quotation on the London Stock Exchange. On a winding up any accrued dividend would be payable in priority to a return of capital to the ordinary shareholders.

A ordinary shares

The A ordinary shares together with the B ordinary shares carry 51% of the voting rights (which reduces to 40% if certain operational targets are not met).

B ordinary shares

The B ordinary shares are convertible into A ordinary shares upon the sale of the company or quotation on the London Stock Exchange.

Preference shares

The Preference shares pay a cumulative dividend of 8% per annum net, calculated on the issue price, as from July 31, 1997 which is payable half yearly in arrears on December and June 30.

They are redeemable at their issue price between July 31, 2000 and September 30, 2003. The holders of the preference shares have no voting rights unless the company is in default in respect of dividend payments or redemption. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend.

Deferred ordinary shares

The Deferred ordinary shares carry no voting rights or dividend entitlement. They are redeemable by the company at a price not exceeding 1p.

19. Movement on shareholders funds

	Profit and loss account	Share capital	Share premium £	Total £
At September 1, 1997	(84,193)	301,000	99,000	315,807
Issue of preference shares	-	5,000	495,000	500,000
Retained loss for the period	(990,011)	-	-	(990,011)
Other recognised gains and losses	51,009	-	-	51,009
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At March 31, 1998	(1,023,195)	306,000	594,000	(123,195)
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1998

(continued)

19. Movement on shareholders funds continued

	7 months to March 31 1998 £	Period to August 31 1997 £
Equity	(723,195)	215,807
Non equity	600,000	100,000
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	(123,195)	315,807
	=====	=====

20. Contingent liabilities

During the period the group guaranteed a £65,000 overdraft facility of a franchisee of one of its subsidiary companies.