

Pirtek Europe Limited

Report and Accounts
March 31, 1999

**Rees Pollock
Chartered Accountants**



PIRTEK EUROPE LIMITEDDirectors

G C Summerfield
W Jackson
F U Petrie
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 LIMITED

CHAIRMAN'S STATEMENT

The group produced an operating loss before the amortisation of goodwill of £109k in the year compared with an operating profit of £51k in the previous 12 month period. This result is disappointing and does not reflect the significant European expansion programme which has taken place in the year.

The Board have applied the new Financial Reporting Standard No.10 ('Goodwill and Intangible Assets'). In accordance with this Standard, we will amortise the £6.7 million goodwill which arose on the acquisition of Pirtek (UK) Ltd over a 20 year period. As a result this year's accounts show a charge of £349k for amortisation of goodwill.

The emphasis has been on the development of our mainland European subsidiaries where we have made strong progress opening 13 centres in total.

In Germany five new centres were opened in the year and, as planned, the Cologne pilot centre was sold to a franchisee. By the end of March a total of seven centres were open. Our progress in Germany would have been even better had we not been restricted by the length of time that it is taking to process funding applications from potential franchisees. However, despite this, we still anticipate that Germany will eventually be our largest network of centres.

The progress in Benelux was excellent: six centres were opened in Holland and one in Belgium.

As planned, France was the last of our operations to start franchising. Whilst the pilot centre in Paris made good progress, it was important to ensure that our franchise package was correctly tailored to local market conditions. Our first franchisee opened in January this year, and the second in April.

As these businesses grow we will continue to build the key management teams involved in each company not only to support our franchisees, but to ensure that the necessary controls are introduced and maintained. The Finance Director for Germany has been appointed and we are now recruiting one for the Benelux subsidiary.

Pirtek UK had a good first six months. However, the second half of the year was disappointing. In common with many companies operating in our markets there was a slowing of demand, adversely affecting our operating profit; and changes had to be made to ensure that the company regained the impetus which it had temporarily lost ensuring that we regain the growth set out in our plans.

In February, Sandy Glen left the company and we are now actively seeking an executive to take charge of our UK operations. In the meantime, Forbes Petrie is currently managing the UK business as well as the business in continental Europe.

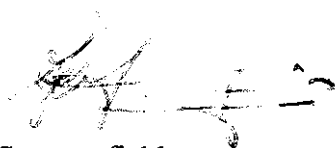
Significant efforts are being made to improve trading margins which we expect to further improve our profitability and competitive position.

During the year considerable effort was put into reviewing the IT strategy of the UK operation and an exciting plan developed which will provide us with a platform for growth in the next decade. We expect to start to implement the new system across the UK network during this financial year.

PIRTEK EUROPE LIMITEDCHAIRMAN'S STATEMENT (continued)

The shareholders have agreed to invest a further £1 million in the company in the first 6 months of the new financial year in order to ensure that all of the operations have adequate funding for the planned growth.

The first two months' trading of the new financial year are encouraging and in line with expectations. I look forward to reporting a year of strong growth in the UK and that the mainland European subsidiaries achieve the planned openings. This is an important year in the development of the company.



G C Summerfield
Chairman

July 14, 1999

PIRTEK EUROPE LIMITEDDIRECTORS' REPORT

The directors present their report and accounts for the year ended March 31, 1999.

Results and dividends

The operating loss for the group, before amortisation of goodwill, was £108,555 (7 months to March 31 1998: £455,968). Amortisation of goodwill of £348,810 (7 months to March 31, 1998: £nil), net interest payable of £795,786 (7 months to March 31, 1998: £522,524) and a tax credit of £14,150 (7 months to March 31, 1998: £nil) give a loss for the group after taxation of £1,239,001 (7 months to March 31, 1998: £978,492).

The directors paid a dividend of £23,849 (1998: £11,519) during the period. A further dividend of £132,850 has been accrued as payable in respect of the preference shares.

Review of the business

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.

Fixed assets

The changes in the fixed assets during the year are summarised in notes 7 and 8 to the accounts.

Directors and their interests

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

	At March 31, 1999		At March 31, 1998	
	£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	-	-	-	-
F U Petrie (appointed November 2, 1998)	33,333	16,667	33,333	16,667

W Jackson has a small interest in the share capital of the company as a consequence of carried interest schemes associated with the Natwest Ventures Investments Limited's shareholding in the company.

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 year 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 year. In preparing these accounts the directors are required to:

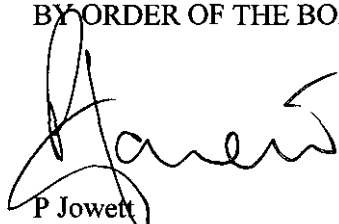
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 which 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

July 14, 1999



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 7 to 23 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 5 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, 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock
Chartered Accountants
Registered Auditor

July 14, 1999

PIRTEK EUROPE LIMITEDGROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1999

	Notes	Year to March 31, 1999 £	7 months to March 31, 1998 £
Turnover	2	11,470,046	5,331,236
Cost of sales		6,110,342	3,117,725
Gross profit		5,359,704	2,213,511
Distribution expenses		(589,137)	(332,147)
Administration expenses		(4,879,122)	(2,337,332)
Loss before amortisation of goodwill		(108,555)	(455,968)
Amortisation of goodwill	7	(348,810)	-
Operating loss	3	(457,365)	(455,968)
Interest receivable		26,425	-
Interest payable	6	(822,211)	(522,524)
Loss on ordinary activities before taxation		(1,253,151)	(978,492)
Over provision for tax in earlier year		14,150	-
Loss on ordinary activities after taxation		(1,239,001)	(978,492)
Dividends paid		156,699	11,519
Retained loss for the year		(1,395,700)	(990,011)

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

	£	£
Loss for the year	(1,239,001)	(978,492)
Currency translation differences on foreign currency investments	(17,247)	51,009
Total recognised gains and losses for the year	(1,256,248)	(927,483)

The notes on pages 12 to 23 form part of these accounts

PIRTEK EUROPE LIMITEDGROUP BALANCE SHEET AT MARCH 31, 1999

	Notes	March 31, 1999 £	March 31, 1998 £
Fixed assets			
Intangible assets	7	6,358,174	6,706,984
Tangible assets	8	751,940	783,975
		-----	-----
		7,110,114	7,490,959
Current assets			
Investments	11	-	25,000
Stocks	12	1,647,559	1,163,474
Debtors	13	3,594,328	3,689,870
Cash at bank and in hand		1,104,117	577,429
		-----	-----
		6,346,004	5,455,773
Creditors: amounts falling due within one year	14	(3,758,561)	(3,315,909)
		-----	-----
Net current assets		2,587,443	2,139,864
		-----	-----
Total assets less current liabilities		9,697,557	9,630,823
		=====	=====
Creditors: amounts falling due after more than one year	15	9,733,699	9,754,018
Capital and reserves			
Called up share capital	17	321,000	306,000
Share premium account	18	2,079,000	594,000
Profit and loss account	18	(2,436,142)	(1,023,195)
		-----	-----
Shareholders' funds including non-equity interests	18	(36,142)	(123,195)
		-----	-----
		9,697,557	9,630,823
		=====	=====




G C Summerfield
Director

July 14, 1999

The notes on pages 12 to 23 form part of these accounts

PIRTEK EUROPE LIMITEDCOMPANY BALANCE SHEET AS AT MARCH 31, 1999

	Notes		March 31, 1999 £	March 31, 1998 £
Fixed assets				
Tangible assets	8		206,194	118,273
Investments	9		9,263,631	9,154,667
			-----	-----
			9,469,825	9,272,940
Current assets				
Debtors	13	2,880,632		1,566,082
Cash at bank and in hand		688,434		159,440
			-----	-----
		3,569,066		1,725,522
Creditors: amounts falling due within one year	14	(965,825)		(583,295)
			-----	-----
Net current assets			2,603,241	1,142,227
			-----	-----
Total assets less current liabilities			12,073,066	10,415,167
			=====	=====
Creditors: amounts falling due after more than one year	15		9,524,990	9,510,710
Capital and reserves:				
Called up share capital	17	321,000		306,000
Share premium account	18	2,079,000		594,000
Profit and loss account	18	148,076		4,457
			-----	-----
Shareholders' funds			2,548,076	904,457
			-----	-----
			12,073,066	10,415,167
			=====	=====



G C Summerfield
Director

July 14, 1999

The notes on pages 12 to 23 form part of these accounts

PIRTEK EUROPE LIMITEDGROUP STATEMENT OF CASH FLOWS

	Year to March 31, 1999	7 months to March 31, 1998
	£	£
Cashflow from continuing operating activities	(513,511)	405,783
Returns on investments and servicing of finance		
Interest received	26,425	-
Interest paid	(468,304)	(336,184)
Dividends paid on preference shares	(28,649)	(11,519)
	-----	-----
	(470,528)	(347,703)
Taxation		
Corporation tax paid	(144,165)	(600,119)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(197,704)	(124,558)
Sale of fixed assets	186,775	7,560
	-----	-----
	(10,929)	(116,998)
Acquisitions	-	(2,000)
	-----	-----
Net cash outflow before financing	(1,139,133)	(661,037)
Financing		
Issue of share capital	1,500,000	500,000
Repayment of capital element of finance leases	(104,470)	(87,377)
Bank loans advanced	262,538	585,881
	-----	-----
	1,658,068	998,504
	-----	-----
Increase in cash in the year	518,935	337,467
	=====	=====

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

	Year to March 31, 1999 £	7 months to March 31, 1998 £
Increase in cash in the year	518,935	337,467
New bank debt	(262,538)	(585,881)
New hire purchase agreements	(172,082)	(325,008)
Repayment of capital element of finance leases	104,470	87,377
Exchange rate differences	(17,247)	51,009
	-----	-----
Movement in net funds in the year	171,538	(435,116)
Net debt at April 1, 1998	(9,767,206)	(9,332,090)
	-----	-----
Net debt at March 31, 1999	(9,595,668)	(9,767,206)
	=====	=====

(b) Analysis of changes in net debt

	At April 1, 1998 £	Cashflows £	Other changes £	Exchange movement £	At March 31, 1999 £
Cash at bank	577,429	543,935	-	(17,247)	1,104,117
Current asset investment	25,000	(25,000)	-	-	-
Bank loans due within one year	(506,392)	(262,538)	14,280	-	(754,650)
Debt due after one year	(9,510,710)	-	(14,280)	-	(9,524,990)
Obligations under finance leases and hire purchase contracts	(352,533)	104,470	(172,082)	-	(420,145)
	-----	-----	-----	-----	-----
	(9,767,206)	360,867	(172,082)	(17,247)	(9,595,668)
	=====	=====	=====	=====	=====

(c) Reconciliation of operating loss to net cash flows from operating activities

	Year to March 31 1999 £	7 months to March 31 1998 £
Operating loss	(457,365)	(455,968)
(Profit)/loss on disposal	(74,535)	389
Depreciation and amortisation of goodwill	638,391	58,552
Increase in stocks	(484,085)	(123,278)
Decrease in debtors	95,542	242,171
(Decrease)/increase in creditors	(231,459)	683,917
	-----	-----
	(513,511)	405,783
	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 19991. 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:

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 using 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 year 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, 1999
(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, 1999. 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 £143,619 (1998: £399,557).

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. Financial Reporting Standard No.10 was adopted by the group on April 1, 1998.

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

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999
(continued)3. Operating loss

	Year to March 31 1999 £	7 months to March 31 1998 £
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration - audit services	29,000	22,000
- non audit services	19,000	14,000
Depreciation of owned fixed assets	219,380	49,247
Depreciation of assets held under finance leases and hire purchase contracts	70,201	9,305
(Profit)/loss on disposal of fixed assets	(74,535)	389
	=====	=====

4. Directors' emoluments

	£	£
Aggregate emoluments	237,477	43,750
Company pension contributions	23,769	3,500
Sums paid to third parties for directors' services	20,000	11,667
	=====	=====
Highest paid director:	£	£
Aggregate emoluments	108,612	32,083
Company pension contributions	8,045	3,500
	=====	=====

5. Staff costs

	£	£
Wages and salaries	2,281,155	798,003
Social security costs	324,549	78,100
Pension costs	41,866	41,948
	-----	-----
	2,647,570	918,051
	=====	=====

The average monthly number of employees during the year was 76 (1998: 63).

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999
(continued)6. Interest payable

	Year to March 31, 1999 £	7 months to March 31, 1998 £
Bank loans and overdrafts	104,850	27,296
Other loans wholly repayable within five years	696,366	494,165
Finance charges payable under finance leases and hire purchase contracts	20,995	1,063
	<u>822,211</u>	<u>522,524</u>

7. Intangible fixed assets

<u>Group</u>	Goodwill £
Cost:	
At March 31, 1998	6,706,984
Additions	-
	<u>6,706,984</u>
At March 31, 1999	
Amortisation:	
At March 31, 1998	-
Provided during the period	348,810
	<u>348,810</u>
At March 31, 1999	
Carrying value:	
At March 31, 1999	<u>6,358,174</u>
At March 31, 1998	<u>6,706,984</u>

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. Financial Reporting Standard No.10 was adopted by the group on April 1, 1998.

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999

(continued)

8. Tangible fixed assets

<u>Group</u>	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
Cost:				
At March 31, 1998	360,634	219,895	513,901	1,094,430
Additions	241,674	2,830	125,282	369,786
Disposals	(170,370)	(18,343)	(30,735)	(219,448)
	-----	-----	-----	-----
At March 31, 1999	431,938	204,382	608,448	1,244,768
	-----	-----	-----	-----
Depreciation:				
At March 31, 1998	89,116	112,685	108,654	310,455
Charge in period	145,149	10,488	133,944	289,581
Disposals	(71,825)	(10,071)	(25,312)	(107,208)
	-----	-----	-----	-----
At March 31, 1999	162,440	113,102	217,286	492,828
	-----	-----	-----	-----
Net book value:				
At March 31, 1999	269,498	91,280	391,162	751,940
	=====	=====	=====	=====
At March 31, 1998	271,518	107,210	405,247	783,975
	=====	=====	=====	=====

Included in the net book value are amounts relating to assets held under hire purchase and finance leases amounting to £226,817 (1998: £124,936).

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999
(continued)8. Tangible fixed assets (continued)Company

	Motor vehicles £	Fixtures and fittings £	Furniture and office equipment £	Total £
Cost:				
At March 31, 1998	21,159	57,590	58,844	137,593
Additions	97,621	2,636	21,117	121,374
	-----	-----	-----	-----
At March 31, 1999	118,780	60,226	79,961	258,967
	-----	-----	-----	-----
Depreciation:				
At March 31, 1998	4,937	4,881	9,502	19,320
Charge in year	13,269	5,791	14,393	33,453
	-----	-----	-----	-----
At March 31, 1999	18,206	10,672	23,895	52,773
	-----	-----	-----	-----
Net book value:				
At March 31, 1999	100,574	49,554	56,066	206,194
	=====	=====	=====	=====
At March 31, 1998	16,222	52,709	49,342	118,273
	=====	=====	=====	=====

Included in the net book value are amounts relating to assets held under hire purchase and finance leases amounting to £47,310 (1998: £nil).

9. Fixed asset investments in subsidiary undertakingsCompany

	£
Cost:	
At March 31, 1998	9,154,667
Additions	108,964

March 31, 1999	9,263,631
	=====

See note 10 for additional information regarding the company's subsidiaries.

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999

(continued)

10. 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

During the year Pirtek France issued ordinary share capital to the value of £108,964 which was purchased by the company for a consideration of £108,964 in cash.

11. Current asset investment-shares in unquoted company

	£
At March 31, 1998	25,000
Disposals	(25,000)

At March 31, 1999	-
	=====

12. Stocks

	Group		Company	
	March 31 1999	March 31 1998	March 31 1999	March 31 1998
	£	£	£	£
Goods for resale	1,647,559	1,163,474	-	-
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999

(continued)

13. Debtors

	Group		Company	
	March 31	March 31	March 31	March 31
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	3,278,999	3,093,111	-	-
Other debtors	253,747	501,407	1,797	72,459
Amounts due from group companies	-	-	2,858,920	1,493,623
Prepayments and accrued income	61,582	95,352	19,915	-
	-----	-----	-----	-----
	3,594,328	3,689,870	2,880,632	1,566,082
	=====	=====	=====	=====

Included in trade debtors are amounts totalling £317,221 (1998: £380,568) which are due after more than one year.

14. Creditors: amounts falling due within one year

	Group		Company	
	March 31	March 31	March 31	March 31
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdrafts	754,650	506,392	-	-
Obligations under finance leases and hire purchase contracts (see note 16)	211,436	109,225	-	-
Trade creditors	1,307,845	1,782,622	11,280	103,558
Other taxes and social security costs	373,591	271,182	103,744	66,735
Corporation tax	-	158,315	-	-
Other creditors and accruals	1,111,039	488,173	850,801	413,002
	-----	-----	-----	-----
	3,758,561	3,315,909	965,825	583,295
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999

(continued)

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

	Group		Company	
	March 31	March 31	March 31	March 31
	1999	1998	1999	1998
	£	£	£	£
Wholly repayable within five years:				
£8,800,000 unsecured 8% loan notes				
repayable in annual installments of £2,200,000				
commencing July 31, 2000	8,724,990	8,710,710	8,724,990	8,710,710
Bank loan repayable in July 2000	800,000	800,000	800,000	800,000
	-----	-----	-----	-----
	9,524,990	9,510,710	9,524,990	9,510,710
Obligations under finance leases and				
hire purchase contracts (see note 16)	208,709	243,308	-	-
	-----	-----	-----	-----
	9,733,699	9,754,081	9,524,990	9,510,710
	=====	=====	=====	=====
The loans are repayable as follows:				
Between two and five years	9,600,000	7,400,000	9,600,000	7,400,000
In five years or more	-	2,200,000	-	2,200,000
	-----	-----	-----	-----
	9,600,000	9,600,000	9,600,000	9,600,000
Less: unamortised issue expenses	(75,010)	(89,290)	(75,010)	(89,290)
	-----	-----	-----	-----
	9,524,990	9,510,710	9,524,990	9,510,710
	=====	=====	=====	=====

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, 1999

(continued)

16. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	March 31 1999 £	March 31 1998 £
Amounts payable:		
Within one year	223,011	116,869
In the second to fifth years inclusive	216,390	252,704
	-----	-----
	439,401	369,573
Less: Finance charges allocated to future periods	(19,256)	(17,040)
	-----	-----
	420,145	352,533
	=====	=====
Finance leases are analysed as follows:		
Current obligations	211,436	109,225
Non-current obligations	208,709	243,308
	-----	-----
	420,145	352,533
	=====	=====

17. Share capital

	Authorised		Allotted, called up and fully paid	
	March 31 1999 No.	March 31 1998 No.	March 31 1999 £	March 31 1998 £
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	90,000	50,000	50,000
Preference shares 1p	2,100,000	2,100,000	21,000	6,000
Deferred ordinary shares £1	50,000	50,000	-	-
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999

(continued)

17. 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.

18. Movement on shareholders' funds

<u>Group</u>	Profit and loss account £	Share capital £	Share premium £	Total £
At April 1, 1998	(1,023,195)	306,000	594,000	(123,195)
Issue of preference shares	-	15,000	1,485,000	1,500,000
Retained loss for the year	(1,395,700)	-	-	(1,395,700)
Other recognised gains and losses	(17,247)	-	-	(17,247)
	-----	-----	-----	-----
At March 31, 1999	(2,436,142)	321,000	2,079,000	(36,142)
	=====	=====	=====	=====

PIRTEK EUROPE LIMITEDNOTES TO THE ACCOUNTS AT MARCH 31, 1999

(continued)

18. Movement on shareholders' funds (continued)

	Year to March 31 1999 £	7 months to March 31 1998 £
Equity	(2,136,142)	(723,195)
Non-equity	2,100,000	600,000
	----- (36,142)	----- (123,195)
	=====	=====

<u>Company</u>	Profit and loss account £	Share capital £	Share premium £	Total £
At April 1, 1998	4,457	306,000	594,000	904,457
Issue of preference shares	-	15,000	1,485,000	1,500,000
Retained profit for the year	143,619	-	-	143,619
	-----	-----	-----	-----
At March 31, 1999	148,076	321,000	2,079,000	2,548,076
	=====	=====	=====	=====

	Year to March 31 1999 £	7 months to March 31 1998 £
Equity	448,076	304,457
Non-equity	2,100,000	600,000
	----- 2,548,076	----- 904,457
	=====	=====

19. Contingent liabilities

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

20. Post balance sheet events

The shareholders have agreed to invest a further £1 million in the company in the first 6 months of the new financial year in order to ensure that all of the operations have adequate funding for the group's planned growth.