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DYNO-ROD PLC

Report and Financial Statements

31 December 2002



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Dyno-Rod PLC

Registered No. 1046906

DIRECTORS

J F Zockoll (Chairman)
C R Smith
J A Zockoll
S M Zockoll

SECRETARY

G T Oatham

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BANKERS

Lloyds TSB Bank Plc
83 Clarence Street
Kingston upon Thames
Surrey KT1 1RE

REGISTERED OFFICE

Zockoll House
143 Maple Road
Surbiton
Surrey KT6 4BJ

Dyno-Rod PLC

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,134,761 (2001 - profit £1,147,233).

The directors paid an interim dividend of £3,073,317 (2001 - £1,100,000). Accordingly the retained profit of £61,444 (2001 - profit of £47,233) has been transferred to reserves.

REVIEW OF THE BUSINESS

The principal activities of the company continue to be the operation of a franchised national network of service centres for the clearing, tracing, inspecting and repairing of drains, sewers, culverts, ducting and piping, together with ancillary services.

Total sales to end-users grew by 9% to £47.5 million (2001 - 9% £43.6 million).

FUTURE DEVELOPMENTS

The current activities of the company will continue to be performed rigorously.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

J F Zockoll
M A S Langford (resigned 12 November 2002)
C R Smith
J A Zockoll
S M Zockoll

There are no directors' interests requiring disclosure under the Companies Act 1985. The interests of J F Zockoll in the shares of the ultimate parent undertaking, The Zockoll Group Limited, are shown in the report and financial statements of that company.

CREDITOR PAYMENT POLICY

The company policy on payments to suppliers is to pay according to the terms agreed. The average creditor payment period at 31 December 2002 was 28 days (2001 - 51 days).

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



GJT Oatham

Secretary

30 JANUARY 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS
to the members of Dyno-Rod PLC**

We have audited the company's financial statements for the year ended 31 December 2002, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions 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 the financial statements in accordance with applicable United Kingdom law and 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 misstatements within it.

Basis of audit 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.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

30 January 2004

Dyno-Rod PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER	2	10,165,937	9,055,463
Cost of sales		382,676	228,563
GROSS PROFIT		9,783,261	8,826,900
Administrative expenses excluding exceptional item	4	5,661,495	4,735,553
Exceptional item	4	-	1,864,702
Total administrative expenses		5,661,495	6,600,255
Other operating income		247,384	190,306
OPERATING PROFIT	3	4,369,150	2,416,951
Profit on disposal of fixed assets		12,955	13,300
		4,382,105	2,430,251
Interest receivable	5	-	2,415
Interest payable	6	(1,341)	(3,633)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,380,764	2,429,033
Taxation	9	1,246,003	1,281,800
PROFIT ON ORDINARY ACTIVITIES FOR THE YEAR	21	3,134,761	1,147,233
Dividend	10	3,073,317	1,100,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		61,444	47,233

STATEMENT TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than as shown above.

Dyno-Rod PLC

BALANCE SHEET at 31 December 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	11	1,098,228	792,583
Investments	12	202	202
		<u>1,098,430</u>	<u>792,785</u>
CURRENT ASSETS			
Licensed areas for resale	13	104,210	59,210
Debtors	14	2,944,211	2,308,350
Cash at bank and in hand		343,638	2,086,988
		<u>3,392,059</u>	<u>4,454,548</u>
CREDITORS: amounts falling due within one year	15	3,376,642	4,194,930
		<u>15,417</u>	<u>259,618</u>
NET CURRENT ASSETS			
		<u>1,113,847</u>	<u>1,052,403</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,113,847</u>	<u>1,052,403</u>
CAPITAL AND RESERVES			
Called up share capital	20	150,000	150,000
Profit and loss account	21	963,847	902,403
		<u>1,113,847</u>	<u>1,052,403</u>
SHAREHOLDERS' FUNDS - EQUITY	21		
		<u>1,113,847</u>	<u>1,052,403</u>

J F Zockoll

J F Zockoll
Jan 30/04

Director

[Signature]

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of preparation

Dyno-Rod PLC has a UK parent company which prepares group financial statements. By virtue of S228 of the Companies Act 1985, Dyno-Rod PLC is therefore exempt from the obligation to prepare and deliver group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Statement of cash flows

The company has taken advantage of the exemption from the requirement to prepare a statement of cash flows conferred by FRS1 (Revised 1996) on the grounds that at least 90% of the voting rights of the company are controlled within the group and consolidated financial statements which include the company are publicly available.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its estimated useful life as follows:

Fixtures, fittings, tools and equipment	-	over 3 to 10 years
Motor vehicles	-	over 4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Licensed areas for resale

Licences acquired from franchises which are currently vacant or are temporarily operated by the company are stated at the lower of cost and the directors' assessment of net realisable value. Area rights attached to original licences may be allocated to a number of independent licensed operators (ILO) in each area. The proportion of the cost of the original area licence applicable to an individual ILO licence is based upon the company's assessment of the number of ILO operatives which can be installed in an area.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

1. ACCOUNTING POLICIES (continued)

Deferred taxation

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of 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 over the term of the lease.

Pensions

The company operates a defined contribution pension scheme, the assets of which are held in a separately administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Dyno-Rod PLC

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

2. TURNOVER

Turnover represents the total invoiced amount of franchise royalty fees, licence fees and equipment provided to franchisees, excluding value added tax. Turnover and pre-tax result arise from this one class of continuing business and wholly within the British Isles.

A further analysis of turnover by activity within this class of business is as follows:

	2002 £	2001 £
Territorial franchise royalty income	3,945,795	3,859,291
ILO franchise royalty income	6,220,142	5,196,172
	<u>10,165,937</u>	<u>9,055,463</u>

3. OPERATING PROFIT

This is stated after charging:

	2002 £	2001 £
Auditors' remuneration	16,000	15,500
Depreciation of owned tangible fixed assets	337,279	138,988
Depreciation of tangible fixed assets held under finance leases	-	18,020
Operating lease rentals of plant and equipment	8,552	17,768
Operating lease rentals of land and buildings	170,603	105,570
Provision against investment in subsidiary undertaking (note 4)	-	1,864,702
	<u></u>	<u></u>

4. ADMINISTRATIVE EXPENSES

	2002 £	2001 £
Administrative expenses excluding exceptional item	5,661,495	4,735,553
Exceptional item - provision against investment in subsidiary undertaking	-	1,864,702
	<u>5,661,495</u>	<u>6,600,255</u>

5. INTEREST RECEIVABLE

	2002 £	2001 £
Bank interest	-	2,415
	<u></u>	<u></u>

6. INTEREST PAYABLE

	2002 £	2001 £
Bank interest	900	973
Other	441	2,660
	<u>1,341</u>	<u>3,633</u>

Dyno-Rod PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

7. STAFF COSTS

	2002 £	2001 £
Wages and salaries (including directors)	2,895,627	2,502,543
Social security costs	225,467	205,379
Other pension costs	9,614	13,585
	<u>3,130,708</u>	<u>2,721,507</u>

The average weekly number of employees, including directors, during the year was as follows:

	2002 No.	2001 No.
Office and management	55	48
Selling and distribution	85	86
	<u>140</u>	<u>134</u>

8. DIRECTORS' EMOLUMENTS

	2002 £	2001 £
Salaries	110,250	97,750
Benefits in kind	11,120	4,641
Pension contributions - money purchase schemes	2,205	1,855
	<u>123,575</u>	<u>104,246</u>

	2002 No.	2001 No.
Members of money purchase scheme	5	5

In addition, one of the directors received benefits of £2,300 (2001 - £7,250) from another group company.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

9. TAXATION

(a) Analysis of charge in year:

	2002 £	2001 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	1,395,700	1,294,000
Adjustments in respect of previous periods	(31,352)	(12,200)
Total current tax (note 9(b))	1,364,348	1,281,800
<i>Deferred tax</i>		
Origination and reversal of timing differences		
Current year	(81,058)	-
Adjustments in respect of previous periods	(37,287)	-
Total deferred tax (note 19)	(118,345)	-
Total tax charge for year	1,246,003	1,281,800

(b) Factors affecting tax charge for the year:

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

	2002 £	2001 £
Profit on ordinary activities before tax	4,380,764	2,429,033
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 % (2001 – 30%)	1,314,229	728,710
<i>Effects of:</i>		
Expenses not deductible for tax purposes	413	50,149
Capital allowances in advance of depreciation	(17,942)	(44,270)
Other timing differences	99,000	-
Adjustments to tax charge in respect of previous years	(31,352)	(12,200)
Non-deductible provision against investment in subsidiary undertaking	-	559,411
Current tax for the year (note 9(a))	1,364,348	1,281,800

To the extent possible, group companies make current year tax losses available to other group companies for payment equivalent to the associated tax relief.

Dyno-Rod PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

10. DIVIDEND

	2002 £	2001 £
Interim dividend paid on ordinary shares	3,073,317	1,100,000

11. TANGIBLE FIXED ASSETS

	<i>Assets under construction</i> £	<i>Motor vehicles</i> £	<i>Fixtures, fittings, tools and equipment</i> £	<i>Total</i> £
Cost:				
At 1 January 2002	464,340	319,650	834,042	1,618,032
Additions	-	67,769	578,294	646,063
Disposals	-	(134,680)	-	(134,680)
Transfers	(464,340)	-	464,340	-
At 31 December 2002	-	252,739	1,876,676	2,129,415
Depreciation:				
At 1 January 2002	-	161,774	663,675	825,449
Charged in the year	-	65,213	272,066	337,279
Disposals	-	(131,541)	-	(131,541)
At 31 December 2002	-	95,446	935,741	1,031,187
Net book value:				
At 31 December 2002	-	157,293	940,935	1,098,228
At 1 January 2002	464,340	157,876	170,367	792,583

The net book value of motor vehicles includes an amount of £Nil (2001 - £5,234) in respect of assets held under finance leases.

Dyno-Rod PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

12. INVESTMENTS

*Shares in
subsidiary
undertakings
£*

Cost:

At 1 January 2002 & 31 December 2002 202

The company owns 100% of the issued ordinary share capital of the following companies:

<i>Name of company</i>	<i>Nature of business</i>
Dyno-Rod Developments Limited	Development of services
Dyno-Kil Franchising Limited	Pest control
Dyno Plumbing Limited	Plumbing services

13. LICENSED AREAS FOR RESALE

	<i>2002 £</i>	<i>2001 £</i>
At 1 January	59,210	14,210
Additions	90,000	45,000
Disposals	(45,000)	-
At 31 December	<u>104,210</u>	<u>59,210</u>

14. DEBTORS

	<i>2002 £</i>	<i>2001 £</i>
Trade debtors	1,724,925	1,826,218
Amounts owed by immediate parent undertaking	679,325	74,589
Amounts owed by subsidiary undertaking	317,477	345,873
Prepayments and accrued income	104,139	61,670
Deferred tax asset (note 19)	118,345	-
	<u>2,944,211</u>	<u>2,308,350</u>

Dyno-Rod PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

15. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	293,796	570,265
Amounts owed to fellow subsidiary undertakings	2,315,185	2,907,235
Other taxes and social security costs	62,950	71,095
Other creditors and accruals	157,258	205,682
Obligations under finance leases and hire purchase contracts (note 16)	-	1,765
Corporation tax	547,453	438,888
	<u>3,376,642</u>	<u>4,194,930</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	2002	2001
	£	£
Amounts payable:		
within one year	-	1,803
	<u>-</u>	<u>1,803</u>
Less: finance charges allocated to future periods	-	(38)
	<u>-</u>	<u>1,765</u>

Finance leases and hire purchases obligations are analysed as follows:

	2002	2001
	£	£
Current obligations	-	1,765

17. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (2001 - £500,000).

18. FINANCIAL COMMITMENTS

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2002	2001
	£	£
Operating leases which expire:		
within two to five years	<u>137,713</u>	<u>137,713</u>

Dyno-Rod PLC

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

19. DEFERRED TAX ASSET

The deferred taxation asset recognised in the financial statements and included in debtors (note 14) is as follows:

	2002 £
Decelerated capital allowances	19,345
Other timing differences	99,000
Undiscounted deferred tax asset	<u>118,345</u>
	2002 £
Recognised at start of year	-
Deferred tax credit in profit and loss account for the year (note 9 (a))	81,058
Adjustment in respect of prior years	37,287
Undiscounted deferred tax asset	<u>118,345</u>

20. SHARE CAPITAL

	2002 No.	Authorised 2001 No.	Allotted, called up and fully paid 2002 £	2001 £
Ordinary shares of £1 each	300,000	300,000	150,000	150,000

21. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 2000	150,000	855,170	1,005,170
Profit for the year	-	1,147,233	1,147,233
Dividend	-	(1,100,000)	(1,100,000)
At 31 December 2001	150,000	902,403	1,052,403
Profit for the year	-	3,134,761	3,134,761
Dividend	-	(3,073,317)	(3,073,317)
At 31 December 2002	<u>150,000</u>	<u>963,847</u>	<u>1,113,847</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Dyno-Rod PLC is a wholly owned subsidiary of The Zockoll Group Limited, which is regarded by the directors as the company's ultimate parent undertaking. The Zockoll Group Limited is the parent undertaking of the only group for which group financial statements are drawn up and of which the company is a member. Copies of the group financial statements can be obtained from Companies House. The directors regard The Ann Zockoll Settlement Trust as the company's ultimate controlling party.

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from the requirement to disclose transactions with group companies, conferred on 90% or more owned subsidiary undertakings.