

DYNO-ROD PLC

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER, 1981

PEAT, MARWICK, MITCHELL & CO.,
1 Puddle Dock, Blackfriars, London, EC4V 3PD.



DYNO-ROD PLCREPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the accounts for the year ended 31st December, 1981.

Activities:

The principal activity of the company is the operation of a national network of service centres for the clearing and tracing of drains, sewers, culverts, ducting, piping etc., together with hygiene services and ancillary activities. These operations are both licenced and company owned.

Results:

The results are as shown on the attached profit and loss account.

Directors:

The following directors have served the company during the year:

J.F. Zockoll	(U.S.A.)	
D.C. Taube		(resigned 17th September, 1981)
V. Thursby-Pelham		(resigned 10th November, 1981)
M.A. Way		(resigned 1st October, 1981)
P.M. Slinn		
J.S. Eaton		(appointed 10th November, 1981)
T.P. Morgan		(appointed 10th November, 1981)
R.G. Taylor		(appointed 10th November, 1981)
R.W. Stoner		(appointed 10th November, 1981)

J.F. Zockoll and D.C. Taube, being directors of the holding company, The Zockoll Group PLC, are not required to notify the company of their interests in the shares of the holding company by virtue of Statutory Instrument 1968 No.1533.

None of the other directors had any beneficial interest in the shares of The Zockoll Group PLC.

All the directors appointed during the year retire in accordance with the Articles of Association and being eligible, offer themselves for re-election.

J.F. Zockoll retires by rotation and being eligible offers himself for re-election.

DYNO-ROD PLC

REPORT OF THE DIRECTORS
(continued)

Fixed assets:

Details of purchase and disposals of fixed assets are shown in note 4 of the notes on the accounts.

Income and Corporation Taxes Act 1970:

The company was a 'close company' throughout the year.

Auditors:

A resolution for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Secretary.

Surbiton.

AUDITORS' REPORT TO THE MEMBERS OF
DYNO-ROD PLC

We have audited the accounts on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 7 and 8, give a true and fair view of the state of the company's affairs at 31st December, 1981 and of its profit and source and application of funds for the year to that date and comply with the Companies Acts 1948 to 1981.

LONDON

22nd October, 1982

Pent Mawle Mitchell & Co.
Chartered Accountants.

DYNO-ROD PLCPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1981

	<u>Note</u>	<u>1981</u>	<u>1980</u>
TURNOVER	1		
Turnover represents:			
Franchise income		£1,650,502	£1,667,452
Sales of equipment and stores		34,682	143,275
Other income		131,041	115,383
		<u>£1,816,225</u>	<u>£1,926,110</u>
TRADING PROFIT BEFORE TAXATION	2	£ 619,870	£ 560,561
Taxation	3	17,779	297,748
PROFIT AFTER TAXATION		602,091	262,813
Dividends		-	300,000
RETAINED PROFIT/(LOSS)		602,091	(37,187)
Retained profit brought forward		9,840	122,027
Retained profit capitalised		-	(75,000)
RETAINED PROFIT CARRIED FORWARD		<u>£ 611,931</u>	<u>£ 9,840</u>

The attached notes form
part of these accounts.

DYNO-ROD PLC

BALANCE SHEET AT 31ST DECEMBER, 1981

	<u>Note</u>	<u>1981</u>	<u>1980</u>
EMPLOYMENT OF CAPITAL			
Fixed assets	4	£127,723	£192,391
Investment in subsidiary company	6	62,973	62,973
Current assets:			
Capitalisation of company owned areas	1,5	£ 4,500	£ 11,100
Stocks	7	72,623	101,067
Debtors and prepayments		426,982	394,008
Cash at bank and in hand		10,590	213,090
Inter-company accounts	8	701,338	298,725
		<u>1,216,033</u>	<u>1,017,990</u>
Current liabilities:			
Inter-company accounts	8	£ 300	£ 634,508
Creditors and accrued charges		298,731	359,608
Bank loan and overdraft secured	9	227,947	-
Current taxation		69,000	22,852
		<u>595,978</u>	<u>1,016,968</u>
Net current assets/ (liabilities)		620,055	1,022
Amount due under hire purchase and lease agreements after 31st December, 1982		(22,904)	(47,843)
		<u>£787,847</u>	<u>£208,543</u>
CAPITAL EMPLOYED			
Share capital	10	£150,000	£150,000
Revenue reserve		611,931	9,840
Shareholders' funds		<u>761,931</u>	<u>159,840</u>
Deferred taxation	11	25,916	48,703

The attached notes form
part of these accounts.

[Signature]
[Signature] Directors

Authorised to be signed by the
Board at a meeting held on

21st October 1982

£787,847

£208,543

PEAT, MARWICK, MITCHELL & CO

DYNO-ROD PLCSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER, 1981

	<u>1981</u>	<u>1980</u>
SOURCE OF FUNDS		
Profit before tax	£ 619,870	£560,561
Adjustments for items not involving the movement of funds:		
Depreciation	£ 55,047	£ 19,682
(Profit)/loss on disposal of fixed assets	<u>(19,374)</u>	<u>1,258</u>
	35,673	20,940
TOTAL GENERATED FROM OPERATIONS	<u>655,543</u>	<u>581,501</u>
FUNDS FROM OTHER SOURCES		
Sale of fixed assets	£ 48,052	£ 12,030
Tax recovered	<u>-</u>	<u>11,918</u>
	48,052	23,948
	<u>703,595</u>	<u>605,449</u>
APPLICATION OF FUNDS		
Expenditure on fixed assets	£ 19,057	£162,578
Dividends paid	-	300,000
Group relief payments	<u>4,873</u>	<u>249,505</u>
	(23,930)	(712,083)
	<u>£ 679,665</u>	<u>(£106,634)</u>
(DECREASE)/INCREASE IN WORKING CAPITAL		
(Decrease) in capitalisation of company-owned areas	(£ 6,600)	(£ 400)
(Decrease) in stock	(28,444)	(188)
Increase in debtors and prepayments	32,974	46,040
Decrease/(increase) in amount due to holding company and fellow subsidiary	1,036,821	(191,178)
Decrease/(increase) in creditors and accrued charges	50,422	(129,460)
Decrease/(increase) in amounts due under hire purchase and lease agreements	<u>24,939</u>	<u>(65,337)</u>
	1,110,112	(340,523)
Movement in net liquid funds:		
Bank loan and overdraft	(£227,947)	£ 27,973
Cash at bank and in hand	<u>(202,500)</u>	<u>205,916</u>
	(430,447)	233,889
	<u>£ 679,665</u>	<u>(£106,634)</u>

DYNO-ROD PLCNOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the company's accounts.

Accounting convention:

The accounts have been prepared under the historical cost convention and in compliance with Section 149(a) and Schedule 8A of the Companies Act 1948.

Turnover:

Turnover represents amounts invoiced during the year in respect of franchise fees and goods and services provided.

It also includes initial franchise fees paid for the acquisition of the licence to a territory and initial apparatus supplied.

Depreciation:

Depreciation is calculated so as to write off the cost of fixed assets over their estimated useful working lives on the following bases:

Improvements to leasehold premises	- 15% per annum on cost
Plant and machinery	- 15% - 20% per annum on cost
Furniture, fittings and office equipment	- 15% per annum on cost
Motor vehicles	- 25% per annum on cost

Loose tools are fully depreciated in the year of purchase but maintained in the accounts at a nominal value of £1.

Leases are amortised in equal instalments over the duration of the lease.

Capitalisation of company-owned areas:

The company capitalises areas acquired from franchisees at a negotiated buy-back price, less any provision for diminution in value which management considers necessary.

Stocks:

Stocks are valued at the lower of cost and net realisable value.

Advertising:

Advertising expenditure is written off as it is incurred with the exception of:

- (i) the cost of directory advertising which is written off over the period of the publication.
- (ii) television production costs paid in advance;
- (iii) advertising material stocks which are written off when used.

Conversion of foreign currencies:

Foreign currency balances are converted at the rates of exchange ruling at the balance sheet date.

DYNO-ROD PLCNOTES ON THE ACCOUNTS
(continued)

1. ACCOUNTING POLICIES (continued)

Deferred taxation:

Deferred taxation is provided by the liability method at 52% on timing differences arising from capital allowances and short-term timing differences, except where, in the directors' opinion, no liability will arise in the foreseeable future.

2. TRADING PROFIT

The trading profit is arrived at after crediting the following:

	<u>1981</u>	<u>1980</u>
Dividend receivable	£ -	£ 30,000
Interest received	<u>43,661</u>	<u>52,084</u>
and after charging:		
Depreciation	£ 55,047	£ 19,682
Auditors' remuneration	6,207	6,508
Bank interest	17,672	21,081
Hire purchase interest	10,340	2,628
Directors' emoluments	28,314	47,309
Directors' pension	170	-
Directors' compensation for loss of office	<u>5,061</u>	<u>-</u>
Directors' emoluments:		
Chairman	£ -	£ -
Highest paid director	<u>24,661</u>	<u>24,818</u>
	<u>No.</u>	<u>No.</u>
Others:		
£ 0 - £ 5,000	7	3
£15,001 - £20,000	<u>-</u>	<u>1</u>

3. TAXATION

	<u>1981</u>	<u>1980</u>
Corporation tax payable at 52% (1980: 52%)	£ 58,545	£ 28,456
Payment for group relief - current year	-	229,064
Transfer (from)/to deferred taxation	(17,183)	19,787
Adjustment to prior years	<u>(23,583)</u>	<u>20,441</u>
	<u>£ 17,779</u>	<u>£297,748</u>

The charge for the year has benefitted by £269,074 in respect of group relief surrender to the company by the holding and fellow subsidiaries.

DYNO-ROD PLCNOTES ON THE ACCOUNTS
(continued)

4. FIXED ASSETS

	Short leasehold	Leasehold premises and improvements to leasehold premises	Plant equipment vehicles and loose tools	Total
Cost:				
At 31st December, 1980	£ -	£11,480	£305,279	£316,759
Additions	4,000	2,980	7,778	14,758
Transfers from group companies	-	-	8,393	8,393
Transfers to group companies	-	-	(25,033)	(25,033)
Disposals	-	(3,868)	(17,910)	(21,778)
At 31st December, 1981	<u>£4,000</u>	<u>£10,592</u>	<u>£278,507</u>	<u>£293,099</u>
Depreciation:				
At 31st December, 1980	£ -	£ 8,493	£115,875	£124,368
Charged in year	200	290	54,557	55,047
Transfer from group companies	-	-	4,094	4,094
Transfer to group companies	-	-	(6,832)	(6,832)
On disposals	-	(3,867)	(7,434)	(11,301)
At 31st December, 1981	<u>£ 200</u>	<u>£ 4,916</u>	<u>£160,260</u>	<u>£165,376</u>
Net book amount:				
At 31st December, 1981	<u>£3,800</u>	<u>£ 5,676</u>	<u>£118,247</u>	<u>£127,723</u>
At 31st December, 1980	<u>£ Nil</u>	<u>£ 2,987</u>	<u>£189,404</u>	<u>£192,391</u>

There were no outstanding commitments in respect of capital expenditure at 31st December, 1981 (1980: £nil).

	1981	1980
5. CAPITALISATION OF COMPANY-OWNED AREAS		
Areas re-purchased, which the company intends to resell	<u>£ 4,500</u>	<u>£ 11,100</u>
6. INVESTMENT IN SUBSIDIARY COMPANY		
Shares at cost, and directors' valuation	<u>£ 62,973</u>	<u>£ 62,973</u>

The shares are 50,000 ordinary shares of £1 each in Dyno-Rod Services Limited, whose principal activity is the clearing and tracing of drains, sewers, culverts, etc.

DYNO-ROD PLCNOTES ON THE ACCOUNTS
(continued)

7.	STOCKS	<u>1981</u>	<u>1980</u>
	Spares	£ 51,781	£ 78,025
	Stationery and advertising material	<u>20,842</u>	<u>23,042</u>
		<u>£ 72,623</u>	<u>£101,067</u>
8.	INTER-COMPANY ACCOUNTS	<u>1981</u>	<u>1980</u>
	Current liabilities:		
	Amounts due to holding company	£ -	(£510,333)
	Amounts due to fellow subsidiaries	-	(124,175)
	Amount due to subsidiary	<u>(300)</u>	<u>-</u>
		<u>(£ 300)</u>	<u>(£634,508)</u>
	Current assets:		
	Amounts due from subsidiaries	£ -	£ 6,308
	Amounts due from holding company	390,450	-
	Amounts due from subsidiary	<u>310,888</u>	<u>292,417</u>
		<u>£701,338</u>	<u>£298,725</u>
9.	MORTGAGE DEBENTURE		
	Unlimited guarantees have been given to the company's bankers and to Dyno-Rod Services Limited and Draincraft Limited in respect of any debt the two companies owe to their bankers. The bank holds a mortgage debenture over all the assets of the company. At 31st December, 1981, the overdrafts of Dyno-Rod Services Limited and Draincraft Limited amounted to £44,479 (1980: £82,222).		
10.	SHARE CAPITAL	<u>Authorised</u>	<u>Issued and fully paid</u>
	At 31st December, 1981		
	Shares of £1 each	<u>£300,000</u>	<u>£150,000</u>
	At 31st December, 1980		
	Shares of £1 each	<u>£300,000</u>	<u>£150,000</u>

DYNO-ROD PLCNOTES ON THE ACCOUNTS
(continued)

11. DEFERRED TAXATION

Deferred taxation account
comprises taxation on:

	<u>Full Liability</u>		<u>Provision made</u>	
	<u>1981</u>	<u>1980</u>	<u>1981</u>	<u>1980</u>
Excess of capital allowances over depreciation	£31,520	£48,170	£31,520	£48,170
Short term timing differences	-	533	-	533
Advance corporation tax available for set-off	(5,604)	-	(5,604)	-
	<u>£25,916</u>	<u>£48,703</u>	<u>£25,916</u>	<u>£48,703</u>

Since in the directors' opinion these timing differences are likely to reverse in the foreseeable future, full provision has been made for deferred taxation.

12. HOLDING COMPANY

The company is a wholly owned subsidiary of The Zockoll Group PLC, a company incorporated in Great Britain.

13. TRANSACTIONS INVOLVING DIRECTORS

Section 54 of the Companies Act 1980 requires the following information to be disclosed:

Arrangements which were entered into during 1981 between Dyno-Rod PLC and Z Corps Communications Limited, a company owned by Mr. J.F. Zockoll and a person connected with Mr. J.F. Zockoll for Z Corps Communications Limited to operate telephone answering and radio control services for Dyno-Rod PLC continued to operate throughout 1982. In addition, certain administrative costs of running Z Corps Communications Limited have been met by Dyno-Rod PLC and re-charged to Z Corps Communications Limited.

During the year Dyno-Rod PLC has met the cost of certain administrative charges relating to Drips Limited, a company connected with Mr. J.F. Zockoll and Mr. P.M. Slinn.

J.S. Eaton and P.M. Slinn are directors of Hydraclear Services (Aberdeen) Limited which is an associate company of Dyno-Rod Services Limited and who have a franchise agreement with Dyno-Rod PLC.

14. PURCHASE OF ASSETS AND LIABILITIES OF DYNO-ROD SERVICES LIMITED

As at 1st January, 1982, Dyno-Rod PLC purchased all the net assets of Dyno-Rod Services Limited with the exception of the shares of Draincraft Limited. The consideration was the net book value of the assets and liabilities at 31st December, 1981.