

# Dyno-Rod PLC

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Registered No. 1046906

## DIRECTORS

J F Zockoll	(Chairman)
A W Cook	(Non-executive director)
J B Chaplin	(Managing director)
C R Smith	
J A Zockoll	
S M Zockoll	

## SECRETARY

G T Oatham

## AUDITORS

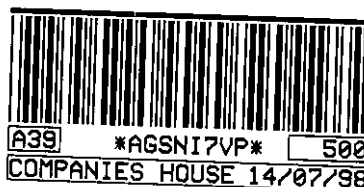
Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## BANKERS

Lloyds 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

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The directors submit their report and accounts for the year ended 31 December 1997.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,262,849 (1996 - £1,490,042).

The directors recommend a final ordinary dividend of £1,700,000 (1996 - £1,400,000). Accordingly the retained loss of £437,151 (1996 - £90,042 profit) 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 20% to £27.2 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  
J B Chaplin  
A W Cook  
C R Smith  
J A Zockoll  
S M Zockoll

There are no directors' interests requiring disclosure under the Companies Act 1985.

### AUDITORS

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

By order of the board

  
G T Oatham  
Secretary

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 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 and detection of fraud and other irregularities.

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

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

**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.

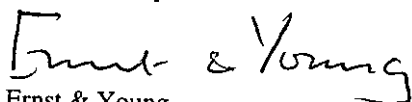
**Basis of opinion**

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 company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

8 July 1998

# Dyno-Rod PLC

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
<b>TURNOVER</b>			
Cost of sales	2	6,394,475	5,530,716
		657,970	626,086
<b>GROSS PROFIT</b>			
Administrative expenses		5,736,505	4,904,630
		4,371,510	2,866,412
Other operating income		1,364,995	2,038,218
		15,700	102,876
<b>OPERATING PROFIT</b>			
Profit on disposal of fixed assets	3	1,380,695	2,141,094
		12,777	11,386
Interest receivable		1,393,472	2,152,480
Interest payable	4	69,663	61,054
	5	(2,528)	(11)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Taxation		1,460,607	2,213,523
	8	197,758	723,481
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			
Dividend	19	1,262,849	1,490,042
	9,19	1,700,000	1,400,000
<b>(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR</b>			
		(437,151)	90,042

All recognised gains and losses in the year and in the previous year have been included in the profit and loss account.

# Dyno-Rod PLC

## BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	10	328,577	133,577
Investments	11	1,500,100	411,818
		<u>1,828,677</u>	<u>545,395</u>
<b>CURRENT ASSETS</b>			
Licensed areas for resale		16,010	18,000
Debtors	12	1,934,804	946,057
Cash at bank and in hand		486,082	1,390,632
		<u>2,436,896</u>	<u>2,354,689</u>
<b>CREDITORS: amounts falling due within one year</b>	13	3,850,447	2,048,800
		<u>(1,413,551)</u>	<u>305,889</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>415,126</u>	<u>851,284</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	18,022	-
		<u>397,104</u>	<u>851,284</u>
Deferred tax asset	16	89,029	72,000
		<u>486,133</u>	<u>923,284</u>
<b>SHAREHOLDERS' FUNDS</b>	19		
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	150,000	150,000
Profit and loss account	19	336,133	773,284
		<u>486,133</u>	<u>923,284</u>

J F Zockoll  
J B Chaplin

*J F Zockoll*

)  
) Directors

8-7-98

# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The accounts 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 accounts. By virtue of S228 of the Companies Act 1985, Dyno-Rod PLC is therefore exempt from the obligation to prepare and deliver group accounts. These accounts present information about the company as an individual undertaking and not about its group.

#### *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 over its estimated useful life as follows:

Plant and machinery	-	over 3-4 years
Fixtures and fittings	-	over 6-10 years
Motor vehicles	-	over 4 years

#### *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.

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recovered in the future is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

#### *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. At the year end all contributions due had been paid.

# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 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 profit before taxation 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:

	1997 £	1996 £
Territorial Franchise Royalty Income		
ILO Franchise Royalty Income	2,789,740	2,498,416
Services to franchisees	3,133,454	2,592,856
Sale of equipment and stores	454,656	430,347
	17,624	9,099
	<u>6,394,475</u>	<u>5,530,716</u>

### 3. OPERATING PROFIT

This is stated after charging:

	1997 £	1996 £
Auditors' remuneration		
Depreciation of owned tangible fixed assets	17,750	15,000
Operating lease rentals of plant and equipment	68,450	44,131
Operating lease rentals of land and buildings	6,138	16,700
Provision against amounts due from group undertakings	73,408	73,408
	<u>1,200,000</u>	<u>-</u>

### 4. INTEREST RECEIVABLE

	1997 £	1996 £
Bank interest		
Other interest	68,002	55,224
	1,661	5,830
	<u>69,663</u>	<u>61,054</u>

### 5. INTEREST PAYABLE

	1997 £	1996 £
Interest payable on bank overdraft		
Finance lease interest	-	11
Other	358	-
	2,170	
	<u>2,528</u>	<u>11</u>



# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 6. STAFF COSTS

	1997 £	1996 £
Wages and salaries (including directors)	1,314,670	1,208,691
Social security costs	121,015	87,515
Other pension costs	3,766	3,920
	<u>1,439,450</u>	<u>1,300,126</u>

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

	1997 No.	1996 No.
Office and management	36	31
Selling and distribution	63	58
	<u>99</u>	<u>89</u>

### 7. DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Salaries	155,000	120,214
Benefits in kind	11,148	8,672
Pension contributions - money purchase schemes	3,000	2,037
	<u>169,148</u>	<u>128,923</u>

### 8. TAXATION

	1997 £	1996 £
Based on the profit for the year:		
corporation tax at 31% (1996 - 33%)	193,343	731,000
deferred taxation	(16,856)	(6,000)
	<u>176,487</u>	<u>725,000</u>
(Under)/overprovision in prior year:		
corporation tax	21,444	(1,519)
deferred taxation	(173)	-
	<u>197,758</u>	<u>723,481</u>

Group companies make current year tax losses available to other group companies either for no payment, or for payment equivalent to the associated tax relief.

# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 9. DIVIDEND

	1997 £	1996 £
Final dividend paid on ordinary shares	1,700,000	1,400,000

### 10. TANGIBLE FIXED ASSETS

	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost:			
At 1 January 1997			
Additions	166,942	371,307	538,249
Disposals	55,118 (33,302)	225,483 (99,371)	280,601 (132,673)
At 31 December 1997	188,758	497,419	686,177
Depreciation:			
At 1 January 1997			
Charged in the year	73,165	331,507	404,672
Disposals	36,442 (19,358)	35,215 (99,371)	71,657 (118,729)
At 31 December 1997	90,249	267,351	357,600
Net book value:			
At 31 December 1997	98,510	230,067	328,577
At 1 January 1997	93,777	39,800	133,577

The net book value of motor vehicles includes an amount of £31,334 (1996 - £nil) in respect of assets held under finance leases.

# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 11. INVESTMENTS

	1997 £	1996 £
Subsidiary undertaking at cost	100	100
Loan to subsidiary undertaking	1,500,000	411,718
	<u>1,500,100</u>	<u>411,818</u>

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

Name of company	Country of registration	Nature of business
Dyno-Rod Developments Limited	England and Wales	Franchise operator

In the opinion of the directors, the aggregate value of the company's investments in subsidiary undertakings is not less than the amount disclosed on the company's balance sheet.

### 12. DEBTORS

	1997 £	1996 £
Trade debtors		
Amounts owed by group undertakings	1,134,648	907,730
Prepayments and accrued income	696,152	22,894
Corporation tax	24,004	15,433
ACT recoverable	30,000	-
	50,000	-
	<u>1,934,804</u>	<u>946,057</u>

### 13. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Trade creditors		
Amounts owed to group undertakings	437,355	304,626
Corporation tax	1,205,437	1,094,689
Other taxes and social security costs	-	49,500
Other creditors and accruals	209,968	172,082
Obligations under finance leases and hire purchase contracts	486,989	317,913
Proposed dividend	10,698	-
	1,500,000	109,990
	<u>3,850,447</u>	<u>2,048,800</u>

# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 14. CREDITORS: amounts falling due after one year

	1997 £	1996 £
Obligations under finance leases and hire purchase contracts	18,022	-

### 15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1997 £	1996 £
Amounts payable:		
within one year	13,225	-
within 2-5 years	19,794	-
	33,019	-
Less: finance charges allocated to future periods	(4,299)	-
	28,720	-

Finance leases and hire purchases obligations and analysed as follows:

Current obligations	10,698	-
Non-current obligations	18,022	-
	28,720	-

### 16. DEFERRED TAXATION

The movements in deferred taxation during the current and previous year are as follows:

	1997 £	1996 £
At 1 January		
Credit for the year	(72,000)	(66,000)
	(17,029)	(6,000)
At 31 December	(89,029)	(72,000)

The deferred tax asset relates to short term timing differences. There was an unprovided deferred tax asset at 31 December 1997 of £15,144 (1996 - £17,415).

### 17. FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Operating leases which expire:				
within two to five years	78,000	78,000	7,756	13,726

# Dyno-Rod PLC

## NOTES TO THE ACCOUNTS at 31 December 1997

### 18. SHARE CAPITAL

	1997	Authorised 1996	Allotted, called up and fully paid 1997	1996
	No.	No.	£	£
Ordinary shares of £1 each	300,000	300,000	150,000	150,000

### 19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 1996	150,000	683,242	833,242
Profit for the year		1,490,042	1,490,042
Dividend		(1,400,000)	(1,400,000)
At 1 January 1997	150,000	773,284	923,284
Profit for the year		1,262,849	1,262,849
Dividend		(1,700,000)	(1,700,000)
At 31 December 1997	150,000	336,133	486,133

### 20. ULTIMATE PARENT UNDERTAKING

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

### 21. RELATED PARTY TRANSACTIONS

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