

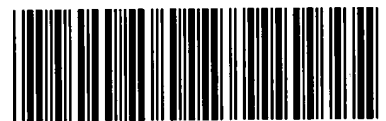
Registration number: 01026007

# British Gas Social Housing Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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## **British Gas Social Housing Limited**

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## **British Gas Social Housing Limited**

### **Strategic Report for the Year Ended 31 December 2016**

The Directors present the Strategic Report of British Gas Social Housing Limited (the "Company") for the year ended 31 December 2016.

#### **Principal activity**

The principal activity of the Company, which trades under the P H Jones brand, is the installation, servicing and repair of central heating systems.

#### **Review of the business**

2016 has seen the Company continue to trade profitably. Turnover has fallen year-on-year primarily due to a reduced social housing portfolio. However, the impact on operating profit was minimised by a reduction in the Company's costs. The statement of financial position for the Company is presented on page 12. Total equity at 31 December 2016 was £10,190,000 (2015: £9,227,000).

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Centrica plc group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 56-64 of the Annual Report and Accounts 2016 of the Group which does not form part of this report.

#### **Exit from the European Union**

The UK referendum vote in June 2016 to leave the European Union has added to the uncertainties faced by the business. However, we believe that the direct impact on the business of these events is limited in the short-term. Many details of the implementation process remain unclear. Extricating from the European Union treaties is a task of immense complexity but with that being said, the business is well-positioned to manage any market impacts. There are also potential tax consequences of the withdrawal agreement which we will continue to reassess (at each reporting date) to ensure our tax provisions reflect the most likely outcome following the withdrawal.

#### **Key performance indicators (KPIs)**

The Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business.

Further information about KPIs, in the context of the Group, can be found on pages 18-19 in the Annual Report and Accounts 2016 of the Group which does not form part of this report.

#### **Future developments**

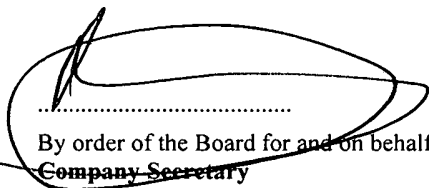
The Company continues to manage its social housing portfolio as well as exploring further growth opportunities from British Gas referrals in private residential properties, whilst simultaneously reviewing its operating costs to ensure continued control of overheads.

The Group is currently implementing the results of the 2015 strategic review. This implementation includes a review of how the Group's businesses are structured and may result in future changes to underlying subsidiary business operations including those of the Company.

**British Gas Social Housing Limited**

**Strategic Report for the Year Ended 31 December 2016 (continued)**

Approved by the Board on <sup>27</sup>... September 2017 and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'C' shape with a horizontal line through it, enclosed within an oval. Below the signature is a dotted line.

By order of the Board for and on behalf of Centrica Secretaries Limited  
~~Company Secretary~~

Company registered in England and Wales, No. 01026007  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **British Gas Social Housing Limited**

### **Directors' Report for the Year Ended 31 December 2016**

The Directors present their report and the audited Financial Statements for the year ended 31 December 2016.

#### **Directors of the Company**

The directors who held office during the year and up to the date of the signing of the financial statements were as follows:

Steven Buck (appointed 20 July 2016)

Justine Campbell (appointed 10 October 2016 and resigned 27 April 2017)

Mark Hodges (appointed 10 October 2016)

Kenneth Main (resigned 20 July 2016)

Gab Barbaro (resigned 10 October 2016)

Peter Black (resigned 10 October 2016)

The following director was appointed after the year end:

Rajarshi Roy (appointed 27 April 2017)

#### **Results and dividends**

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2016 is £963,000 (2015: £860,000). No dividends were paid for the year ended 31 December 2016 (2015: £nil). The Directors do not recommend the payment of a final dividend (2015: £nil) be made in respect of the financial year ended 31 December 2016.

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### **Employees**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are unlikely to affect their interests and that all employees are aware of the financial and economic performance of business units and of the Company as a whole. Communication with all employees continues through the in-house newsletters and briefing groups.

#### **Future developments**

Future developments are discussed in the Strategic Report on page 1.

#### **Directors' and officers' liabilities**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review. The insurance does not provide cover in the event that the Director is proved to have acted fraudulently.

#### **Financial risk management**

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed.

Exposure to counterparty credit risk and liquidity risk arises in the normal course of the Company's business and is managed within parameters set by the Directors.

## **British Gas Social Housing Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Exposure to credit risk is limited predominantly to exposures with other Group companies or exposure to credit risk which arises in the normal course of operations as a result of the potential for a customer defaulting on its payable balance. In the case of business customers, credit risk is managed by checking a company's creditworthiness and financial strength both before commencing to trade and during a business relationship. An ageing of receivables is monitored and used to manage the exposure to credit risk.

Cash forecasts identifying liquidity requirements of the Company are produced and reviewed periodically to ensure there is sufficient financial headroom for at least a twelve month period from the date of approval of these financial statements.

## **British Gas Social Housing Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

#### **Disclosure of information to the auditors**

Each of the Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Reappointment of auditors**

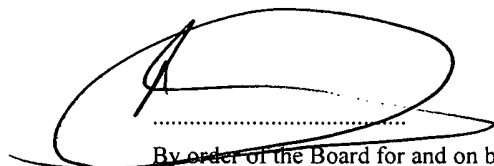
Following a rigorous selection by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing from 1 January 2017. Consequently, PricewaterhouseCoopers LLP will remain auditors of British Gas Social Housing Limited until the formal resignation process has been completed later in 2017, after which Deloitte LLP will be appointed as auditors of British Gas Social Housing Limited.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office, until the formal resignation process has been completed.

**British Gas Social Housing Limited**

**Directors' Report for the Year Ended 31 December 2016 (continued)**

Approved by the Board on 27 September 2017 and signed on its behalf by:



By order of the Board for and on behalf of Centrica Secretaries Limited  
**Company Secretary**

Company registered in England and Wales, No. 01026007  
Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD



## **British Gas Social Housing Limited**

### **Independent Auditors' Report to the Members of British Gas Social Housing Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, British Gas Social Housing Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## **British Gas Social Housing Limited**

### **Independent Auditors' Report to the Members of British Gas Social Housing Limited (continued)**

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

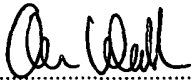
## **British Gas Social Housing Limited**

### **Independent Auditors' Report to the Members of British Gas Social Housing Limited (continued)**

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Alan Walsh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date: 27 September 2017

## **British Gas Social Housing Limited**

### **Income Statement for the Year Ended 31 December 2016**

	<b>Note</b>	<b>2016 £ 000</b>	<b>2015 £ 000</b>
Revenue	3	50,390	72,089
Cost of sales		<u>(40,016)</u>	<u>(59,848)</u>
Gross profit		10,374	12,241
Operating costs	4	<u>(9,066)</u>	<u>(10,641)</u>
Operating profit		1,308	1,600
Finance costs		<u>(98)</u>	<u>(507)</u>
Profit before income tax		1,210	1,093
Income tax expense	8	<u>(247)</u>	<u>(233)</u>
Profit for the year		<u>963</u>	<u>860</u>

The above results were derived from continuing operations.

**British Gas Social Housing Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2016**

	<b>2016</b> <b>£ 000</b>	<b>2015</b> <b>£ 000</b>
Profit for the year	<u>963</u>	<u>860</u>
Total comprehensive income for the year	<u>963</u>	<u>860</u>

The notes on pages 14 to 25 form an integral part of these financial statements.


# British Gas Social Housing Limited

## Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	Restated <sup>1</sup> 2015 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	9	815	1,112
Deferred tax assets	8	224	209
		<u>1,039</u>	<u>1,321</u>
<b>Current assets</b>			
Inventories	10	325	325
Trade and other receivables	11	25,605	23,832
Current tax		79	79
Cash and cash equivalents		<u>6,432</u>	<u>7,053</u>
		<u>32,441</u>	<u>31,289</u>
<b>Total assets</b>		<u>33,480</u>	<u>32,610</u>
<b>Current liabilities</b>			
Trade and other payables		(21,407)	(23,383)
Provisions for other liabilities and charges	13	<u>(1,169)</u>	<u>-</u>
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	13	<u>(714)</u>	<u>-</u>
<b>Total liabilities</b>		<u>(23,290)</u>	<u>(23,383)</u>
<b>Net assets</b>		<u>10,190</u>	<u>9,227</u>
<b>Equity</b>			
Share capital	15	-	-
Retained earnings	15	<u>10,190</u>	<u>9,227</u>
<b>Total equity</b>		<u>10,190</u>	<u>9,227</u>

<sup>1</sup> Deferred tax assets of £209,000 as at 31 December 2015 have been reclassified from current assets to non-current assets.

The financial statements on pages 10 to 25 were approved and authorised for issue by the Board of Directors on 27..... September 2017 and signed on its behalf by:



Steven Buck

Director

Company number 01026007

The notes on pages 14 to 25 form an integral part of these financial statements.

**British Gas Social Housing Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2016**

	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total Equity £ 000</b>
At 1 January 2016	-	9,227	9,227
Profit for the year and total comprehensive income	-	963	963
At 31 December 2016	-	10,190	10,190
	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total Equity £ 000</b>
At 1 January 2015	-	8,367	8,367
Profit for the year and total comprehensive income	-	860	860
At 31 December 2015	-	9,227	9,227

The notes on pages 14 to 25 form an integral part of these financial statements.

## **British Gas Social Housing Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **1 General information**

British Gas Social Housing Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the UK. The registered office is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.

#### **2 Accounting policies**

##### **Basis of preparation**

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and FRS 101, and sets out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements have been prepared under the historical cost convention and on a going concern basis.

The Company had early adopted the following amendment to FRS 101 in its financial statements for the year ended 31 December 2015:

- presentation of financial statements in accordance with IAS 1.

From 1 January 2016, the following standards and amendments are effective in the Company's financial statements. Their first time adoption does not have a material impact on the financial statements:

- Amendment to IAS 1: 'Presentation of financial statements' related to the disclosure initiative;
- Amendment to IAS 16: 'Property, plant and equipment' and IAS 38: 'Intangible assets' related to the clarification of acceptable methods of depreciation and amortisation;
- 'Annual Improvement Project 2010-2012'; and
- 'Annual Improvement Project 2012-2014'.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7 'Statement of Cash Flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- comparative period reconciliations for property, plant and equipment;
- comparative period reconciliations for share capital;
- disclosures in respect of related party transactions with wholly-owned subsidiaries in a group;
- disclosures in respect of the compensation of key management personnel; and
- disclosures in respect of capital management.

As the consolidated financial statements of Centrica plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures' have not been provided apart from those which are relevant for the financial instruments which are held at fair value.



## **British Gas Social Housing Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

These financial statements are presented in pounds sterling with all values rounded to the nearest thousand pounds except when otherwise indicated. Pounds sterling is the functional currency of the Company.

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Revenue recognition**

Revenue is stated net of VAT and discounts. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of consideration due.

#### **Cost of sales**

Cost of sales relating to contracts includes direct labour and related overheads on installation work, repairs and service contracts in the year.

#### **Pensions and other post-employment benefits**

Payments to defined contribution retirement benefit schemes are recognised in the Company's income statement as they fall due.

#### **Finance income and costs**

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value. Finance costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed in a similar manner.

#### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date. Temporary differences are differences between the carrying amount of the company's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future, against which the deductible temporary difference can be utilised.

## **British Gas Social Housing Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

#### **Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant, equipment and motor vehicles	3-5 years straight line

The carrying values of property, plant and equipment are tested annually for impairment and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary changes are accounted for prospectively.

#### **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

#### **Inventories**

Inventories are valued at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

## **British Gas Social Housing Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discounting is often immaterial) less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company may not be able to collect the trade receivable. Balances are written off when recoverability is assessed as being remote. If collection is due in one year or less, receivables are classified as current assets. If not, they are presented as non-current assets.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

##### **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are initially recognised at fair value, which is usually the original invoice amount and are subsequently held at amortised cost using the effective interest method (although, in practice, the discounting is often immaterial). If payment is due within one year or less, payables are classified as current liabilities. If not, they are presented as non-current liabilities.

##### **Loans and other borrowings**

All interest-bearing and interest-free loans and other borrowings are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, discount or premium.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received.

##### **Impairment**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' or 'CGU').

## British Gas Social Housing Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 2 Accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

The Company provides for impairments of financial assets when there is objective evidence of impairment as a result of events that impact the estimated future cash flows of the financial assets.

#### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement within interest expense.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

#### 3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Installation, servicing and repair of central heating systems	50,390	72,089
Revenue arose from activities arising solely in the UK.		

#### 4 Analysis of costs by nature

Arrived at after charging

	2016 £ 000	2015 £ 000
Depreciation expense	488	378
Operating lease expense - land and buildings	158	132
Operating lease expense - plant and equipment	109	109
Operating lease expense - motor vehicles	1,423	1,632

## British Gas Social Housing Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 5 Employees' costs

The aggregate employee costs (including Directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	15,509	16,305
Social security costs	1,657	1,787
Pension and other post-employment benefit costs	203	201
Other employee expense	45	84
	<u>17,414</u>	<u>18,377</u>

In respect of the Directors' remuneration, refer to note 17 'related party transactions'.

The average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	2016 No. of employees	2015 No. of employees
Administration and support	235	276
Technical	280	322
	<u>515</u>	<u>598</u>

#### 6 Finance costs

	2016 £ 000	2015 £ 000
Interest on amounts owed to group undertakings	<u>98</u>	<u>507</u>

#### 7 Auditors' remuneration

Auditors' remuneration totalling £14,000 for the year (2015: £21,000) relates to fees for the audit of the statutory financial statements of British Gas Social Housing Limited.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of its ultimate parent, Centrica plc.

## British Gas Social Housing Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 8 Income tax

Tax charged in the income statement

	2016 £ 000	2015 £ 000
<b>Current taxation</b>		
UK corporation tax at 20.00% (2015: 20.25%)	262	202
Adjustment in respect of previous periods	-	(14)
	<u>262</u>	<u>188</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences - UK	(4)	22
Arising from changes in tax rates and laws	(11)	23
	<u>(15)</u>	<u>45</u>
Tax expense in the income statement	<u>247</u>	<u>233</u>

The Company earns its profits in the UK. These activities are subject to the standard rate for UK corporation tax of 20% (2015: 20.25%).

The differences between the taxes shown above and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	1,210	1,093
Tax charge at standard UK rate	242	221
<b>Effects of:</b>		
Net expenses non-deductible for tax purposes	3	3
Increase (decrease) in current tax from adjustment for prior periods	-	(14)
Increase (decrease) arising from group relief	(13)	(21)
Increase (decrease) from transfer pricing adjustments	13	21
Deferred tax expense (credit) relating to changes in tax rates or laws	(11)	23
Exempt amounts	13	-
	<u>5</u>	<u>12</u>
Total income tax expense	<u>247</u>	<u>233</u>

The main rate of corporation tax for the year to 31 December 2016 was 20%. The corporation tax rate will reduce to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020 following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016 respectively. These enacted rates have been reflected in these financial statements when providing for deferred tax.

# British Gas Social Housing Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 8 Income tax (continued)

#### Deferred income tax

The movements in respect of the deferred income tax assets that occurred during the financial year are as follows:

	Accelerated tax depreciation (corporation tax) £ 000	Other timing differences including losses carried forward £ 000	Total £ 000
1 January 2015	(242)	(12)	(254)
Charged to the income statement	39	6	45
31 December 2015	(203)	(6)	(209)
Charged to the income statement	(14)	(1)	(15)
<b>31 December 2016</b>	<b>(217)</b>	<b>(7)</b>	<b>(224)</b>

Deferred corporation tax provision/(asset) at 18% (2015:18%).

	2016 Assets £ 000	2015 Assets £ 000
Gross deferred tax balances crystallising within one year	(7)	-
Gross deferred tax balances crystallising after one year	(217)	(209)
	<u>(224)</u>	<u>(209)</u>
Net deferred tax balances (after offsetting for financial reporting purposes)	<u>(224)</u>	<u>(209)</u>

### 9 Property, plant and equipment

	Plant and equipment, fixture and fittings £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2016	2,814	4	2,818
Additions	191	-	191
At 31 December 2016	<u>3,005</u>	<u>4</u>	<u>3,009</u>
<b>Accumulated depreciation</b>			
At 1 January 2016	1,702	4	1,706
Depreciation charge for the year	488	-	488
At 31 December 2016	<u>2,190</u>	<u>4</u>	<u>2,194</u>
<b>Carrying amount</b>			

# British Gas Social Housing Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 9 Property, plant and equipment (continued)

	Plant and equipment, fixture and fittings £ 000	Motor vehicles £ 000	Total £ 000
At 31 December 2016	<u>815</u>	<u>-</u>	<u>815</u>
At 31 December 2015	<u>1,112</u>	<u>-</u>	<u>1,112</u>

### 10 Inventories

	2016 £ 000	2015 £ 000
Raw materials and consumables	<u>325</u>	<u>325</u>

There is no significant difference between the replacement cost of inventories and their carrying amounts.

### 11 Trade and other receivables

	2016 Current £ 000	2015 Current £ 000
Trade receivables	4,135	5,062
Amounts owed by group undertakings	13,844	11,584
Prepayments and accrued income	<u>7,626</u>	<u>7,186</u>
	<u>25,605</u>	<u>23,832</u>

In accordance with IAS 32 'Financial Instruments: Presentation' ('IAS 32') amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts owed to Group undertakings. All amounts owed by Group undertakings are interest-free, unsecured and repayable on demand.

### 12 Trade and other payables

	2016 Current £ 000	2015 Current £ 000
Trade payables	1,082	2,448
Amounts owed to group undertakings	12,899	11,840
Social security and other taxes	541	1,458
Accrued expenses	<u>6,885</u>	<u>7,637</u>
	<u>21,407</u>	<u>23,383</u>



## **British Gas Social Housing Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **12 Trade and other payables (continued)**

The bank overdraft facility was secured by an omnibus guarantee and set-off agreement between P.H Jones Group Limited and its subsidiaries, along with a debenture giving fixed or floating charges on all assets of the company. As at the balance sheet date there was no overdraft balance (2015: £nil).

In accordance with IAS 32 amounts owed to Group undertakings have been presented on a net basis as there is a right of offset against certain amounts owed by Group undertakings. Included within the net amounts owed to Group undertakings disclosed above is £6,447,000 (2015: £14,320,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.04% and 4.04% per annum during 2016 (2015: 2.36% and 2.88%). The other net amounts owed to Group undertakings are interest-free. All amounts owed to Group undertakings are unsecured and repayable on demand.

#### **13 Provisions for other liabilities and charges**

	<b>Onerous contracts £ 000</b>
At 1 January 2016	-
Additional provisions	<u>1,883</u>
At 31 December 2016	<u>1,883</u>
Non-current liabilities	<u>714</u>
Current liabilities	<u>1,169</u>

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. During the year, provisions of £1,883,000 were created, relating to certain Social Housing contracts.

#### **14 Post-employment benefits**

##### **Defined contribution pension scheme**

Contributions totalling £37,000 were payable to the fund at 31 December 2016 (2015: £32,000).

The total cost charged to the income statement was £203,000 (2015: £201,000), representing contributions payable to these schemes by the Company at rates specified in the rules of the scheme.

# British Gas Social Housing Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 15 Capital and reserves

#### Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

#### Retained earnings

The balance classified as retained earnings includes the profits and losses realised by the company in previous years that were not distributed to the shareholders of the company at the balance sheet date.

### 16 Operating leases

At 31 December 2016 the company had total future minimum lease payments under non-cancellable operating leases for land, buildings and vehicles with the following maturity:

	2016 £ 000	2015 £ 000
Within one year	831	1,043
In two to five years	2,288	3,405
In over five years	<u>-</u>	<u>169</u>
	<u>3,119</u>	<u>4,617</u>

### 17 Related party transactions

#### Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Directors' emoluments	269	240
Contributions into pension schemes	20	18
Compensation for loss of office	<u>18</u>	<u>-</u>
	<u>307</u>	<u>258</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £205,000 (2015: £-), and Company pension contributions of £15,000 (2015: £-) were made to a money purchase scheme on his behalf.

During the year the number of Directors who received post-employment benefits and share incentives was as follows:

## **British Gas Social Housing Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **17 Related party transactions (continued)**

	<b>2016 No.</b>	<b>2015 No.</b>
Received or were entitled to receive shares under long term incentive schemes	5	-
Accruing benefits under defined benefit pension scheme	2	1
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>2</u>

#### **18 Parent and ultimate parent undertaking**

The immediate parent undertaking is P.H Jones Group Limited, a company registered in England and Wales.

The ultimate parent and controlling party is Centrica plc, a company registered in England and Wales, which is the only company to include these financial statements in its consolidated statements. Copies of the Centrica plc consolidated financial statements may be obtained from [www.centrica.com](http://www.centrica.com).