

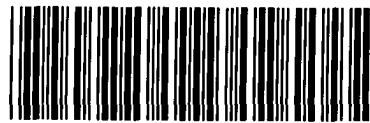
**Registration number: 01046906**

# **Dyno-Rod Limited**

**Annual Report and Financial Statements**

**for the Year Ended 31 December 2017**

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## **Dyno-Rod Limited**

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## **Dyno-Rod Limited**

### **Strategic Report for the Year Ended 31 December 2017**

The Directors present their Strategic Report for Dyno-Rod Limited (the 'Company') for the year ended 31 December 2017.

#### **Principal activities**

The principal activities of the Company are the operation of a franchise network of service centres for the provision of plumbing services and the clearing, tracing, inspecting and repairing of drains, sewers, culverts, ducting and piping.

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

The Company had a successful year in 2017 and continues to maintain its market leading position in a challenging market. The Company completed over 825,000 jobs in customer's homes and premises and held its non-insurance revenues steady in the face of strong competition.

The profit for the financial year ended 31 December 2017 is £7,991,000 (2016: £4,093,000). The financial position of the Company is presented on page 11. Net assets at 31 December 2017 were £70,069,000 and retained earnings were £69,919,000.

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

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Centrica plc group (the 'Group') and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 52-62 of the Group's Annual Report and Accounts 2017, which does not form part of this report.

A large proportion of the franchisees' business involves working in domestic and commercial premises. With this in mind, health and safety issues are the main areas of non-financial risk upon which the Company focuses. The ultimate customer is served by the franchisee, and the franchise agreements between the Company and the franchisees stipulate the standards that they are required to uphold. However, the Company retains overall responsibility for customer service and brand.

To mitigate these risks, the health and safety team provides regular training and support to enable franchisees to keep up-to-date with best practice and also to ensure that the Company has sufficiently robust systems and procedures that are continuously reviewed.

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

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company 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, the business is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

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

Given the nature of the business, the Company's Directors are of the opinion that the KPIs are necessary for an understanding of the development, performance and position of the business is retained profit. The Directors of the Group use a number of KPIs to monitor progress against the Group's strategy. The development, performance and position of the Group, which includes the Company, are discussed on pages 30 to 31 of the Group's Annual Report and Accounts 2017 which does not form part of this report.

## **Dyno-Rod Limited**

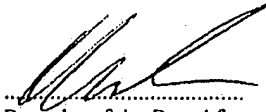
### **Strategic Report for the Year Ended 31 December 2017 (continued)**

#### **Future developments**

The Company continues to develop its core plumbing and drains business in domestic and commercial markets, through a franchise business model whilst continuing to develop its heating and on demand business.

The Group continues to implement 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.

Approved by the Board on 13 September 2018 and signed on its behalf by:



KATE HUDSON

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

Company registered in England and Wales, No. 01046906

Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Dyno-Rod Limited**

### **Directors' Report for the Year Ended 31 December 2017**

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

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

The Directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

S Buck (resigned 24 January 2018)

J Campbell (resigned 27 April 2017)

M Hodges

R Roy (appointed 27 April 2017)

The following director was appointed after the year end:

I E Ronald (appointed 24 January 2018)

#### **Results and dividends**

The results of the Company are set out on page 9. The profit for the financial year ended 31 December 2017 is £7,991,000 (2016: £4,093,000). No dividends were paid during the year (2016: £nil) and the Directors do not recommend the payment of a final dividend (2016: £nil) in respect of the financial year ended 31 December 2017.

#### **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.

Counterparty credit exposures are monitored by individual counterparties 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 their 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 the 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.

#### **Future developments**

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

#### **Going concern**

The financial statements have been prepared on a going concern basis as Centrica plc, the ultimate parent company intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Centrica plc intends to support the Company for at least one year after the financial statements are approved.

#### **Directors' and officers' liability**

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.

## **Dyno-Rod Limited**

### **Directors' Report for the Year Ended 31 December 2017 (continued)**

#### **Statement of Director's 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 applicable law and 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 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. The following statement is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **Auditors**


Following a rigorous selection process by the Audit Committee of Centrica plc, Deloitte LLP was selected as the Group's external auditor for the financial year commencing 1 January 2017. Consequently, PricewaterhouseCoopers LLP ('PwC') ceased to hold office as auditor of the Company in 2017. Pursuant to Section 519 of the Companies Act 2006, PwC has confirmed that there are no circumstances in connection with their ceasing to hold office that need to be brought to the attention of the members or creditors of the Company.

Following the resignation of PwC as auditors of the Company and, pursuant to Section 487 of the Companies Act 2006, Deloitte LLP were appointed as auditors of the Company.

**Dyno-Rod Limited**

**Directors' Report for the Year Ended 31 December 2017 (continued)**

Approved by the Board on 13 September 2018 and signed on its behalf by:



KATE HUDSON

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

Company registered in England and Wales, No. 01046906

Registered office:  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

## **Dyno-Rod Limited**

### **Independent Auditors' Report to the Members of Dyno-Rod Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Reduced Disclosure Framework ('FRS101'); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Dyno Rod Limited which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusion related to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

We have nothing to report in respect of these matters.

##### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.



## **Dyno-Rod Limited**

### **Independent Auditors' Report to the Members of Dyno-Rod Limited (continued)**

#### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

#### **Report on other legal and regulatory requirements**

##### **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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Dyno-Rod Limited**

**Independent Auditors' Report to the Members of Dyno-Rod Limited (continued)**

**D. Winstone**

.....  
Daryl Winstone (Senior Statutory Auditor)  
For and on behalf of Deloitte  
Chartered Accountants and Statutory Auditors  
London  
EC4A 3BZ

13 September 2018

## **Dyno-Rod Limited**

### **Income Statement for the Year Ended 31 December 2017**

	Note	2017 £ 000	2016 £ 000
Revenue	3	70,831	68,552
Cost of sales	4	<u>(48,918)</u>	<u>(49,989)</u>
Gross profit		21,913	18,563
Operating costs	4	(14,553)	(15,205)
Exceptional items	6	-	(435)
Other income	5	<u>393</u>	<u>660</u>
Operating profit		7,753	3,583
Finance income	9	<u>2,145</u>	<u>1,539</u>
Profit before income tax		9,898	5,122
Income tax expense	11	<u>(1,907)</u>	<u>(1,029)</u>
Profit for the year		<u>7,991</u>	<u>4,093</u>

The above results were derived from continuing operations.

**Dyno-Rod Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2017**

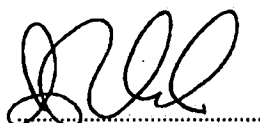
	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Profit for the year	<u>7,991</u>	<u>4,093</u>
Total comprehensive income for the year	<u><u>7,991</u></u>	<u><u>4,093</u></u>

# **Dyno-Rod Limited**

## **Statement of Financial Position as at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	12	117	291
Intangible assets	13	3,834	4,058
Trade and other receivables	15	59	228
Deferred tax assets	11	141	142
		<u>4,151</u>	<u>4,719</u>
<b>Current assets</b>			
Trade and other receivables	15	58,073	159,604
Cash and cash equivalents		15,805	5,063
		<u>73,878</u>	<u>164,667</u>
<b>Total assets</b>		<u>78,029</u>	<u>169,386</u>
<b>Current liabilities</b>			
Trade and other payables	16	(7,960)	(106,873)
Provisions for other liabilities and charges	17	-	(435)
		<u>(7,960)</u>	<u>(107,308)</u>
<b>Total assets less current liabilities</b>		<u>70,069</u>	<u>62,078</u>
<b>Total liabilities</b>		<u>(7,960)</u>	<u>(107,308)</u>
<b>Net assets</b>		<u>70,069</u>	<u>62,078</u>
<b>Equity</b>			
Share capital	19	150	150
Retained earnings		69,919	61,928
<b>Total equity</b>		<u>70,069</u>	<u>62,078</u>

The financial statements on pages 9 to 26 were approved and authorised for issue by the Board of Directors on 13 September 2018 and signed on its behalf by:



I E Ronald  
Director  
Company number 01046906

The notes on pages 13 to 31 form an integral part of these financial statements.

# **Dyno-Rod Limited**

## **Statement of Changes in Equity for the Year Ended 31 December 2017**

	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2017	150	61,928	62,078
Profit for the year	-	7,991	7,991
Total comprehensive income	-	7,991	7,991
At 31 December 2017	150	69,919	70,069

	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2016	150	57,835	57,985
Profit for the year	-	4,093	4,093
Total comprehensive income	-	4,093	4,093
At 31 December 2016	150	61,928	62,078

The notes on pages 13 to 31 form an integral part of these financial statements.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **1 General information**

Dyno-Rod Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered office and principal place of business is Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

#### **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 has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

From 1 January 2017, the following amendments are effective in the Company's financial statements. Their first time adoption did not have a material impact on the financial statements:

- Amendments to IAS 12: 'Income taxes' related to the recognition of deferred tax assets for unrealised losses.

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;
- prior year reconciliations for property, plant and equipment and intangible assets;
- the prior year reconciliations in the number of shares outstanding at the beginning and at the end of the year 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 the Centrica plc group (the 'Group'), which are available from its registered office, 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 IAS 36 'Impairment of Assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- 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;
- certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company; and
- disclosures of the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Measurement convention**

The financial statements have been prepared on the historical cost basis except for: investments in subsidiaries that have been recognised at deemed cost on transition to FRS 101; derivative financial instruments, available for sale financial assets, financial instruments designated at fair value through profit or loss on initial recognition and the Company's share of the assets of the Group's defined benefit pension schemes that have been measured at fair values; the Company's share of the liabilities of the Group's defined benefit pension schemes that have been measured using the projected unit credit valuation method; and the carrying value of recognised assets and liabilities qualifying as hedged items in fair value hedges that have been adjusted from cost by the changes in the fair values attributable to the risks that are being hedged.

##### **Going concern**

The financial statements have been prepared using the going concern basis of accounting.

##### **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 comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is recognised on the basis of energy supplied during the year.

The Company has arrangements with customers whereby it provides more than 'one' product or service ('bundled contracts'). Where such multiple-element contracts exist, the amount of the revenue allocated to each element is based upon the relative fair values of the various elements and is recognised when risks and rewards are transferred (for goods delivered/supplied) or when services are provided to customers. The fair values of each element are determined based on current market price of each element when sold individually.

Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). Unread gas and electricity is estimated using historical consumption patterns, taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and is included in accrued energy income within trade and other receivables.

Revenue is shown net of sales/value added tax, returns, rebates and discounts.

##### **Cost of sales**

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

##### **Employee share schemes**

The Centrica plc group, to which the Company belongs, has a number of employee share schemes, detailed in the Remuneration Report on pages 78-89 and in note S8 to the Group financial statements, under which it makes equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non-market-based vesting conditions). The fair value determined at the grant date is expensed on a straight-line basis in the Income Statement together with a corresponding increase in equity over the vesting period, based on the Centrica plc group's estimate of the number of awards that will vest, and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using methods appropriate to each of the different schemes detailed in note S8 of the Group financial statements.



## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

##### **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.

Assets held under finance leases are capitalised and included in property, plant and equipment at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future periods, are included within borrowings, with the amount payable within 12 months included in borrowings within current liabilities.

Lease payments are apportioned between finance charges and reduction of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

##### **Exceptional items**

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. To ensure the business performance reflects the underlying results of the Company, these exceptional items are disclosed separately in the income statement. Items which may be considered exceptional in nature include disposals of businesses, business restructures, significant onerous contract charges and asset write-downs/impairments.

##### **Borrowing costs**

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset are capitalised and subsequently amortised in line with the depreciation of the related asset. Borrowing costs are capitalised from the time of acquisition or from the beginning of construction or production until the point at which the qualifying asset is ready for use. Where a specific financing arrangement is in place, the specific borrowing rate for that arrangement is applied. For non-specific financing arrangements, a financing rate representative of the weighted average borrowing rate is used. Borrowing costs not arising in connection with the acquisition, construction or production of a qualifying asset are expensed.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Company at the rates prevailing at the reporting date, and associated gains and losses are recognised in the Income Statement for the year, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Income Statement in the respective financial line item to which they relate.

Changes in the fair value of foreign currency denominated monetary securities classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in a currency other than the functional currency of the Company are translated using the exchange rate prevailing at the dates of the initial transaction and are not retranslated. Non-monetary items measured at fair value in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured.

##### **Taxation**

Current tax, including UK corporation tax, UK petroleum revenue tax and foreign 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 reporting date. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in equity. In this case, the tax is recognised in equity.

Deferred tax is recognised in respect of all temporary differences identified at the reporting date, except to the extent that the deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the reporting date.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Other intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include application software. For purchased application software, for example investments in customer relationship management and billing systems, cost includes contractors' charges, materials, directly-attributable labour and directly-attributable overheads.

Capitalisation begins when expenditure for the asset is being incurred and activities necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of acceptance of the asset by the business. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset could be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for on a prospective basis by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the intangible asset could be impaired, either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

##### **Amortisation of intangible assets**

Intangible assets subject to amortisation is provided so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Contractual customer relationships	Straight line, up to 20 years
Application software	Straight line, up to 15 years
Licences	Straight line, up to 20 years

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Property, plant and equipment (PP&E)**

PP&E is included in the Statement of Financial Position at cost, less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent expenditure in respect of items of PP&E such as the replacement of major parts, major inspections or overhauls, are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Freehold land is not depreciated. Other PP&E, with the exception of upstream production assets (for which the 'unit of production method' is used), are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives.

##### **Depreciation of PP&E**

Depreciation is charged so as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold and leasehold buildings	Straight line, up to 50 years
Plant	Straight line, between 5 and 20 years
Equipment and vehicles	Straight line, between 3 and 10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as for owned assets, or where shorter, the lease term.

The carrying values of PP&E 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.

##### **Investments in subsidiaries**

Fixed asset investments in subsidiaries are held at deemed cost on transition to FRS 101 and in accordance with IAS 27, less any provision for impairment as necessary.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Interest in joint arrangements and associates.**

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Associates are investments over which the Company has significant influence but not control or joint control, and generally holds between 20% and 50% of the voting rights. The Company's joint ventures and associates are accounted for at cost in accordance with IAS 27, less any provision for impairment as necessary.

The Company's interests in joint operations (oil and gas exploration and production licence arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Where the Company has an equity stake or a participating interest in operations governed by a joint arrangement for which it is acting as operator, an assessment is carried out to confirm whether the Company is acting as agent or principal. As the terms and conditions negotiated between business partners usually provide joint control to the parties over the relevant activities of the oil and gas fields and/or wind farms that are governed by joint arrangements, the Company is usually deemed to be an agent when it is appointed as operator and not a principal (as the contracts entered into do not convey control to the parties). Accordingly, when assessed as a 'joint operation', the Company recognises its share of assets, liabilities, revenue and expenses of these arrangements as outlined above except that it presents gross liabilities and gross receivables of the joint venture (including amounts due to or from non-operating partners) in accordance with netting requirements under IAS 32.

##### **Inventories**

Inventories, excluding inventories of gas and oil and Levy Exemption Certificates, are valued at the lower of cost and estimated net realisable value after allowance for redundant and slow-moving items. Inventories of gas and oil are valued on an average weighted basis, at the lower of cost and net realisable value.

##### **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.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

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

The Company's employees participate in a number of the Group's defined benefit pension schemes. The total Group cost of providing benefits under defined benefit schemes is determined separately for each of the Group's schemes under the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 22 to the Group financial statements. The Company's share of the total Group surplus or deficit at the end of the reporting period for each scheme is calculated in proportion to the Company's share of ordinary employer contributions into that scheme during the year; ordinary employer contributions are determined by the pensionable pay of the Company's employees within the scheme and the cash contribution rates set by the scheme trustees. Current service cost is calculated with reference to the pensionable pay of the Company's employees. The Company's share of the total Group interest on scheme liabilities, expected return on scheme assets and actuarial gains or losses is calculated in proportion to ordinary employer contributions in the prior accounting period. Changes in the surplus or deficit arising as a result of the changes in the Company's share of total ordinary employer contributions are also treated as actuarial gains or losses.

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

##### **Take-or-pay contracts**

Where payments are made to suppliers under take-or-pay obligations for gas not yet taken, they are treated as prepayments and are included within trade and other receivables, provided they are expected to generate future economic benefits.

##### **Impairment**

The carrying amounts of the Company's non-financial assets, other than investment property, 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ('CGU') 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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

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. An impairment loss in respect of goodwill shall not be reversed in a subsequent period. In respect of other assets, 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.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Financial assets and liabilities**

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 de-recognised 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 de-recognised when the obligation under the liability is discharged, cancelled or expires.

##### **Current and deferred income tax**

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 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 assets are recognised only to the extent that it is probable that the deductible temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the balance sheet date.

##### **Defined contribution pension obligation**

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

##### **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 de-recognised 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 de-recognised when the obligation under the liability is discharged, cancelled or expires.

##### **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 rate ('EIR') (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.

## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **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 EIR method (although, in practice, the discount 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.

##### **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.

##### **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.

##### **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, these financial instruments are measured at amortised cost using the effective interest method, except when they are the hedged item in an effective fair value hedge relationship where the carrying value is also adjusted to reflect the fair value movements associated with the hedged risks. Such fair value movements are recognised in the Company's Income Statement. Amortised cost is calculated by taking into account any issue costs, discount or premium, when applicable.

##### **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, which are recognised initially at fair value within the Company's statement of financial position. Available-for-sale financial assets are re-measured subsequently at fair value with gains and losses arising from changes in fair value recognised directly in equity and presented in the Company's statement of comprehensive income, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement of the period. Accrued interest or dividends arising on available-for-sale financial assets are recognised in the income statement.

At each balance sheet date the Company assesses whether there is objective evidence that available-for-sale financial assets are impaired. If any such evidence exists, cumulative losses recognised in equity are removed from equity and recognised in the income statement. The cumulative loss removed from equity represents the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

##### **Financial assets at fair value through profit or loss**

The Company holds investments in gilts which it designates as fair value through profit or loss. Investments are measured at fair value on initial recognition and are re-measured to fair value in each subsequent reporting period. Gains and losses arising from changes in fair value are recognised in the income statement within interest income or interest expense.



## **Dyno-Rod Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Derivative financial instruments**

The Company routinely enters into sale and purchase transactions for physical delivery of gas, power and oil. A portion of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the physical commodity in accordance with the Company's expected sale, purchase or usage requirements ('own use' contract), and are not within the scope of IAS 39.

Certain purchase and sales contracts for the physical delivery of gas, power and oil are within the scope of IAS 39 due to the fact that they net settle or contain written options. Such contracts are accounted for as derivatives under IAS 39 and are recognised in the Company's statement of financial position at fair value. Gains and losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement for the year.

The Company uses a range of derivatives for both trading and to hedge exposures to financial risks, such as interest rate, foreign exchange and energy price risks, arising in the normal course of business. The use of derivative financial instruments is governed by the Group's policies. Further detail on the Group's risk management policies is included within the Annual Report and Accounts 2014 of the ultimate controlling party being Centrica Plc, in the Strategic Report – Principal Risks and Uncertainties on pages 40 to 45 and in note S3.

The accounting treatment for derivatives is dependent on whether they are entered into for trading or hedging purposes. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Company's risk management policies and is in accordance with established guidelines, which require the hedging relationship to be documented at its inception, ensure that the derivative is highly effective in achieving its objective, and require that its effectiveness can be reliably measured. The Company also holds derivatives which are not designated as hedges and are held for trading.

All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

The Company enters into certain energy derivative contracts covering periods for which observable market data does not exist. The fair value of such derivatives is estimated by reference in part to published price quotations from active markets, to the extent that such observable market data exists, and in part by using valuation techniques, whose inputs include data which is not based on or derived from observable markets. Where the fair value at initial recognition for such contracts differs from the transaction price, a fair value gain or fair value loss will arise. This is referred to as a day-one gain or day-one loss. Such gains and losses are deferred (not recognised) and amortised to the income statement based on volumes purchased or delivered over the contractual period until such time observable market data becomes available. When observable market data becomes available, any remaining deferred day-one gains or losses are recognised within the income statement. Recognition of the gains or losses resulting from changes in fair value depends on the purpose for issuing or holding the derivative. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement and are included within gross profit or interest income and interest expense. Gains and losses arising on derivatives entered into for speculative energy trading purposes are presented on a net basis within revenue.

## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 2 Accounting policies (continued)

##### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There are no critical accounting judgements or estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

#### 3 Revenue

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

	2017 £ 000	2016 £ 000
Plumbing	52,900	47,998
Drains	17,931	20,554
	<u>70,831</u>	<u>68,552</u>

All sales were made in the United Kingdom and Ireland.

#### 4 Analysis of costs by nature

	2017			2016		
	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000	Cost of sales £ 000	Other operating costs £ 000	Total costs £ 000
Depreciation, amortisation, impairment and write-downs	-	1,269	1,269	-	1,216	1,216
Employee costs	-	5,619	5,619	-	6,260	6,260
Engineering costs	48,918	-	48,918	49,989	-	49,989
Impairment of trade receivables	-	(20)	(20)	-	126	126
Other operating costs	-	7,685	7,685	-	7,603	7,603
<b>Total operating costs by nature</b>	<u>48,918</u>	<u>14,553</u>	<u>63,471</u>	<u>49,989</u>	<u>15,205</u>	<u>65,194</u>

#### 5 Other income

The analysis of the Company's other gains and losses for the year is as follows:

	2017 £ 000	2016 £ 000
Franchise recharges	<u>393</u>	<u>660</u>

#### 6 Exceptional items

The following exceptional items were recognised in arriving at operating profit of the reporting period:

## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

	2017 £ 000	2016 £ 000
Restructuring costs	-	(435)

#### 7 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements.

	2017 £ 000	2016 £ 000
Audit fees	30	53

Auditors' remuneration relates to fees for the audit of the financial statements of the Company. The prior year audit fee includes both the fee for the statutory audit of the financial statements and an allocation of the audit fee for the Group's consolidated financial statements.

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.

#### 8 Employees' costs

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

	2017 Average no. of employees	2016 Average no. of employees
Administration and support	73	85
Sales, marketing and distribution	34	38
	107	123

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

	2017 £ 000	2016 £ 000
Wages and salaries	4,121	5,203
Social security costs	512	491
Other pension costs	462	566
Share-based payment expenses	7	-
Other employee expense	517	-
	5,619	6,260

#### 9 Net finance income/cost

##### Finance income

	2017 £ 000	2016 £ 000
Interest income from amounts owed by Group undertakings	2,145	1,539

#### 10 Directors' remuneration

The Directors' remuneration for the year was as follows:

## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

	2017 £ 000	2016 £ 000
Directors' emoluments	50	173
Contributions into pension schemes	4	12
	<u>54</u>	<u>185</u>

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

	2017 No.	2016 No.
Received or were entitled to receive shares under long term incentive schemes	3	5
Accruing benefits under defined benefit pension scheme	1	2
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>3</u>

The Company is exempt from disclosure of the remuneration of the highest paid Director, since the total Directors' remuneration in the year ended 31 December 2017 was below £200,000.

#### 11 Income tax

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax at 19.25% (2016: 20.00%)	1,907	771
UK corporation tax adjustment to prior periods	-	221
	<u>1,907</u>	<u>992</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences - current year	(2)	254
Arising from origination and reversal of temporary differences - prior periods	-	(198)
Arising from changes in tax rates and laws	<u>2</u>	<u>(19)</u>
Total deferred taxation	<u>-</u>	<u>37</u>
Tax expense in the income statement	<u>1,907</u>	<u>1,029</u>

The main rate of corporation tax for the year to 31 December 2017 was 19.25% (2016: 20%). The corporation tax rate will reduce to 17% with effect from 1 April 2020 following the enactment of Finance Act 2016. The deferred tax assets and liabilities included in these financial statements are based on the reduced rate of 17% having regard to their reversal profiles.

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:

# Dyno-Rod Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 11 Income tax (continued)

	2017 £ 000	2016 £ 000
Profit before tax at 19.25% (2016: 20.00%)	9,898	5,122
Tax expense at standard UK rate	1,905	1,024
<i>Effects of:</i>		
Net expenses non-deductible for tax purposes	-	1
Increase (decrease) in current tax from adjustment for prior periods	-	23
Increase (decrease) arising from group relief tax reconciliation	(31)	(21)
Increase (decrease) from transfer pricing adjustments	31	21
Deferred tax expense (credit) relating to changes in tax rates or laws	2	(19)
Total income tax expense	1,907	1,029

### Deferred tax assets and (liabilities)

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income statement £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	123	18	141
Other items	19	(19)	-
Net tax assets/(liabilities)	142	(1)	141

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income statement £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	48	75	123
Other items	131	(112)	19
Net tax assets/(liabilities)	179	(37)	142

	2017 £ 000	2016 £ 000
Recoverable within 12 months	-	19
Recoverable after 12 months	141	123
	141	142

## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 12 Property, plant and equipment

	Computer equipment £ 000
<b>Cost</b>	
At 1 January 2017	2,965
Additions	44
At 31 December 2017	<u>3,009</u>
<b>Accumulated Depreciation</b>	
At 1 January 2017	2,673
Depreciation charge for the year	219
At 31 December 2017	<u>2,892</u>
<b>Carrying amount</b>	
At 31 December 2017	<u>117</u>
At 31 December 2016	<u>291</u>

#### 13 Intangible assets

	Application software £ 000
<b>Cost</b>	
At 1 January 2017	6,784
Additions	827
At 31 December 2017	<u>7,611</u>
<b>Amortisation</b>	
At 1 January 2017	2,727
Amortisation	1,050
At 31 December 2017	<u>3,777</u>
<b>Carrying amount</b>	
At 31 December 2017	<u>3,834</u>
At 31 December 2016	<u>4,058</u>

## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 14 Investments in subsidiaries

Shares in  
Group  
undertakings  
(subsidiaries)  
£ 000

##### Equity investments

##### Net book values

At 1 January 2015, 1 January 2016 and 31 December 2017

Details of the equity interests of the Company in its subsidiaries undertakings are as follows as at 31 December 2017:

Name of subsidiary	Principal activity	Class of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
				2017	2016
Dyno Kil (Franchising) Limited	Dormant company	100% ordinary	England and Wales	100%	100%
Dyno Developments Limited	Dormant company	100% ordinary	England and Wales	100%	100%
Dyno-Plumbing Limited	Dormant company	100% ordinary	England and Wales	100%	100%
Dyno-Services Limited	Dormant company	100% ordinary	England and Wales	100%	100%
Dyno-Security Services Limited	Dormant company	100% ordinary	England and Wales	100%	100%

Dyno Kil (Franchising) Limited was dissolved on 2nd February 2017

All subsidiaries are registered at Millstream, Maidenhead Road, Windsor, Berkshire, United Kingdom. SL4 5GD.

## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 15 Trade and other receivables

	2017		2016	
	Current £ 000	Non-current £ 000	Current £ 000	Non-current £ 000
Trade receivables	3,374	-	4,691	-
Provision for impairment of trade receivables	(1,652)	-	(2,061)	-
Net trade receivables	1,722	-	2,630	-
Amounts owed by Group undertakings	55,486	-	154,586	-
Other receivables	603	59	1,719	228
Accrued income	262	-	669	-
	<u>58,073</u>	<u>59</u>	<u>159,604</u>	<u>228</u>

The amounts owed by Group undertakings have been presented on a net basis as there is a right of offset against certain amounts. Included within the net amounts owed by Group undertakings disclosed above is £46,476,000 (2016: £52,865,000) that bears interest at a quarterly rate determined by Group Treasury and linked to the Group cost of funds. The quarterly rates ranged between 3.66 and 3.86% per annum during 2017 (2016: 3.04 and 4.04%). The other net amounts owed to by Group undertakings are interest-free. All amounts owed by Group undertakings are unsecured and repayable on demand.

#### 16 Trade and other payables

	2017 Current £ 000	2016 Current £ 000
Trade payables	1,893	2,830
Amounts owed to Group undertakings	4,641	101,358
Accrued expenses and deferred income	873	2,521
Social security and other taxes	553	164
	<u>7,960</u>	<u>106,873</u>

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. All net amounts owed to Group undertakings are interest-free, unsecured and repayable on demand.



## Dyno-Rod Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 17 Provisions for other liabilities and charges

	Restructuring £ 000
At 1 January 2017	435
Provisions used	(435)
At 31 December 2017	-

#### 18 Post-employment benefits

##### Defined contribution pension scheme

The total cost charged to income of £462,000 (2016 - £566,000) represents contributions payable to this scheme by the Company at rates specified in the rules of the scheme.

#### 19 Capital and reserves

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

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	150	150	150	150

##### Retained Earnings

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

#### 20 Parent and ultimate parent undertaking

The immediate parent undertaking is British Gas Services 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 financial statements. Copies of the Centrica plc consolidated financial statements may be obtained from [www.centrica.com](http://www.centrica.com).

The financial statements can also be obtained from the following address:

Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD  
England and Wales