
SALE PFI LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



SALE PFI LIMITED

COMPANY INFORMATION

DIRECTORS	S Hockman B Lala
COMPANY SECRETARY	S Gregory
REGISTERED NUMBER	04382404
REGISTERED OFFICE	ENGIE Q3 Office Quorum Business Park Benton Lane Newcastle-upon-Tyne Tyne and Wear NE12 8EX
INDEPENDENT AUDITOR	Ernst & Young LLP Citygate St James' Boulevard Newcastle-upon-Tyne NE1 4JD

SALE PFI LIMITED

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SALE PFI LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of Sale PFI Limited ("the Company") is the provision of full civic centre facilities to Trafford Metropolitan Borough Council under the Government's Private Finance Initiative ("PFI").

The Company implemented IFRS 9 '*Financial Instruments*' and IFRS 15 '*Revenue from Contracts with Customers*' on 1 January 2018. Details of the recognition or measurement differences arising on the adoption of these standards are included in note 2.4 to these financial statements.

DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements were:

M Gallacher (resigned 1 January 2018)
N Lovett (resigned 10 January 2018)
D Sheridan (appointed 1 January 2018; resigned 30 September 2018)
S Hockman (appointed 1 January 2018)
B Lala (appointed 1 January 2018)

FUTURE DEVELOPMENTS

The Company continues to successfully manage its long-term PFI contract, which is performing in line with management's expectations. The Directors expect there to be no changes in the future activities or prospects of the Company.

FINANCIAL INSTRUMENTS

The Company monitors its exposure to risk on an ongoing basis. The Company's activities do not expose it to any material price risk or foreign exchange risk. Owing to the nature of the Company's business and the assets and liabilities contained within the balance sheet, the financial risks the Directors consider relevant to the Company are credit risk, liquidity risk and interest rate cash flow risk. The Company uses derivative financial instruments to reduce its exposure to interest rate movements.

Credit risk

Credit risk arises on the Company's principal financial assets, which are cash at bank, trade and other debtors and amounts owed by group undertakings. The credit risk associated with cash is limited, as the Company uses financial institutions with a high credit rating for banking requirements. All customers are credit checked prior to any sales and only customers with an appropriate credit rating are offered credit terms. The credit risk on amounts owed by group undertakings is not considered to be significant, given the group's strong credit rating.

Liquidity risk

The Company is exposed to liquidity risk on its financial liabilities, including derivative financial instruments, bank loans, trade creditors and amounts owed to group undertakings. In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the Company has access to banking facilities and loans from group companies.

SALE PFI LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Interest rate cash flow risk

Interest rate cash flow risk arises on the Company's interest bearing bank loan. The Company utilises an interest rate swap to fix the interest rate on the bank loan, in order to ensure certainty of future cash flows.

GOING CONCERN

The Directors have considered the Company's current and future prospects and its availability of financing from within the ENGIE group and are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis of preparation for these financial statements.

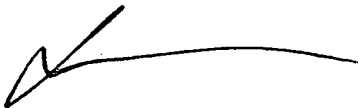
DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board on 30 August 2019 and signed on its behalf.



S Hockman
Director

SALE PFI LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared 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'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALE PFI LIMITED

Opinion

We have audited the financial statements of Sale PFI Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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.

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 below. 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 the provisions available for small entities 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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; or
- the directors were not entitled to take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Auditor's 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 auditor's 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 auditor's 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.

Ernst + Young W

Caroline Mulley (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
5 September 2019

SALE PFI LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	<i>As restated</i> 2017 £000
Turnover	4	1,361	1,231
Cost of sales		(711)	(455)
Gross profit		650	776
Administrative expenses		(56)	(418)
Operating profit	5	594	358
Interest receivable and similar income	7	271	416
Interest payable and similar expenses	8	(329)	(349)
Profit before tax		536	425
Tax on profit	9	(148)	(108)
Profit for the financial year		388	317

There were no recognised gains and losses for 2018 or 2017 other than those included in the income statement and therefore no statement of comprehensive income has been presented.

The notes on pages 10 to 27 form part of these financial statements.

SALE PFI LIMITED
REGISTERED NUMBER: 04382404

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Current assets			
Debtors: amounts falling due after more than one year	10	6,491	6,805
Debtors: amounts falling due within one year	10	1,576	2,097
Cash at bank and in hand		4,950	3,240
		<u>13,017</u>	<u>12,142</u>
Creditors: amounts falling due within one year	11	<u>(4,996)</u>	<u>(3,835)</u>
Net current assets		<u>8,021</u>	<u>8,307</u>
Total assets less current liabilities		<u>8,021</u>	<u>8,307</u>
Creditors: amounts falling due after more than one year	12	<u>(5,819)</u>	<u>(6,493)</u>
Net assets		<u><u>2,202</u></u>	<u><u>1,814</u></u>
Capital and reserves			
Called up share capital	16	99	99
Profit and loss account	17	2,103	1,715
Total equity		<u><u>2,202</u></u>	<u><u>1,814</u></u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 30 August 2019.


S Hockman
Director

The notes on pages 10 to 27 form part of these financial statements.

SALE PFI LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017 (as previously stated)	99	1,274	1,373
Effect of adoption of new standards	-	124	124
	<hr/>	<hr/>	<hr/>
At 1 January 2017 (as restated)	99	1,398	1,497
Comprehensive income for the year			
Profit for the financial year (as restated)	-	317	317
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	317	317
	<hr/>	<hr/>	<hr/>
At 1 January 2018 (as restated)	99	1,715	1,814
Comprehensive income for the year			
Profit for the financial year	-	388	388
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	388	388
	<hr/>	<hr/>	<hr/>
At 31 December 2018	99	2,103	2,202
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 27 form part of these financial statements.

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. GENERAL INFORMATION

The financial statements of Sale PFI Limited for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 30 August 2019 and the statement of financial position was signed on the Board's behalf by S Hockman.

The Company is a private limited liability company, incorporated and domiciled in the United Kingdom. The address of its registered office is ENGIE Q3 Office, Quorum Business Park, Benton Lane, Newcastle-upon-Tyne, Tyne and Wear, NE12 8EX.

The results of the Company are included in the consolidated financial statements of ENGIE S.A., which are available from ENGIE, 1 Place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The functional and presentation currency of the Company is Pounds Sterling ("£") and all values in these financial statements are rounded to the nearest thousand pounds ("£'000") except when otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 GOING CONCERN

The Directors have considered the Company's current and future prospects and its availability of financing from within the ENGIE group and are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis of preparation for these financial statements.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company applied IFRS 9 '*Financial Instruments*' and IFRS 15 '*Revenue from Contracts with Customers*' for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below and the significant accounting policies meeting those requirements are described in the relevant policies.

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 9

IFRS 9 replaces IAS 39 *'Financial Instruments: Recognition and Measurement'* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

An explanation of the impact of the adoption of IFRS 9 is included below.

IFRS 15

IFRS 15 supersedes IAS 11 *'Construction Contracts'*, IAS 18 *'Revenue'* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company has adopted IFRS 15 using the full retrospective method of adoption, however there has been no material impact on the Company's financial statements as a result of adopting this standard from 1 January 2018.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The Company has prepared individual financial statements which comply with IFRS 9 and IFRS 15 (applicable for accounting periods beginning on or after 1 January 2018).

In preparing these financial statements, the Company has started from an opening statement of financial position as at 1 January 2017, the Company's date of transition to IFRS 9 and IFRS 15 and made those changes in accounting policies and other restatements required for the first-time adoption of these standards. As such, this note explains the principal adjustments made by the Company in restating its statement of financial position as at 1 January 2017 prepared under IAS 39 and IAS 18 and its previously published financial statements for the year ended 31 December 2017.

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Statement of financial position (extract)

	1 January 2017 As previously stated £000	IFRS 9 £000	1 January 2017 As restated £000
CURRENT ASSETS			
Debtors	8,470	105	8,575
Cash at bank and in hand	3,164	-	3,164
TOTAL CURRENT ASSETS	11,634	105	11,739
Creditors: amounts falling due within one year	(8,249)	19	(8,230)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,385	124	3,509
Creditors: amounts falling due after more than one year	(2,012)	-	(2,012)
NET ASSETS	1,373	124	1,497
CAPITAL AND RESERVES			
Called up share capital	99	-	99
Profit and loss account	1,274	124	1,398
	1,373	124	1,497

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Income statement and statement of comprehensive income (extract)

	2017 As previously stated £000	IFRS 9 £000	2017 As restated £000
Turnover	793	438	1,231
Cost of sales	(455)	-	(455)
GROSS PROFIT	338	438	776
Administrative expenses	(265)	(153)	(418)
OPERATING PROFIT	73	285	358
Interest receivable and similar income	854	(438)	416
Interest payable and similar expenses	(349)	-	(349)
PROFIT BEFORE TAX	578	(153)	425
Tax on profit	(137)	29	(108)
PROFIT FOR THE FINANCIAL YEAR	441	(124)	317
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	441	(124)	317

SALE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Explanation of changes to previously reported profit and equity:

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The allowance for ECL approach is consistently applied to trade debtors, accrued income and deferred income.

Upon the adoption of IFRS 9, the Company recognised an increase in retained earnings of £124,000 as at 1 January 2017.

Following the adoption of IFRS 9, the income statement for the year ended 31 December 2017 was restated for the increase in impairment losses of £153,000 and the related tax impact of £29,000, as well as for the reclassification of interest receivable on services concession arrangements of £438,000, which is calculated in accordance with IFRS 9 and is recognised in turnover, given it arises from the principal activity of the Company. The net impact on retained earnings of the two adjustments was £nil and therefore the statement of financial position for 31 December 2017 has not been restated.

The Company has not identified any other impacts resulting from the implementation of IFRS 9.

2.5 REVENUE

For all contracts with customers the Company recognises revenue when performance obligations have been satisfied. For most of the Company's facilities management contracts revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company.

IFRS 15 provides a five step-model which the Company has applied to all sales contracts with customers to identify the revenue which can be recognised. The model is applied at contract inception and on the assumption that the contract will operate as defined in the contract and that the contract will not be cancelled, renewed or modified. After contract inception a change in the scope or price (or both) of a contract that is approved by the parties to the contract is a contract modification.

Step 1 - Identify the contract with the customer

First, the Company determines if a contract exists and whether it is in scope of IFRS 15. The arrangement must create enforceable rights and obligations. Typically, this will be a signed contract with the customer. The Company and customer must be committed to perform their respective obligations, each party's rights regarding the goods or services to be transferred should be identifiable, the payment terms for the goods or services to be transferred should be identifiable, the arrangement must have commercial substance and it must be probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. This assessment is completed on a case by case basis in line with IFRS 15.

SALE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.5 REVENUE (continued)

Sometimes the Company's contracts are revised for changes to customer requirements. A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract and exists when the parties to a contract approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the contract. A contract modification can be approved in writing, by oral agreement, or implied by customary business practices.

If the parties to the contract have not approved a contract modification, revenue is recognised in accordance with the existing contractual terms. Judgement is applied in relation to the accounting for contract modifications where the final terms or legal contracts have not been agreed prior to the period end as management needs to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods.

Contract modifications are accounted for as a separate contract if the scope of the contract changes due to the addition of promised goods or services that are distinct and the price of the contract changes by an amount of consideration that reflects the stand-alone selling price of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

Step 2 - Identify the performance obligations in the contract

At contract inception the Company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations, contractual promises to transfer distinct goods or services to a customer. For facilities management contracts with several components, judgement is necessary to determine the performance obligations by considering whether those promised goods or services are:

- a) a good or service (or bundle of goods or services) that is distinct; or
- b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer

For core services provided under most facilities management contracts entered into by the Company, management has applied the principles of IFRS 15 and concluded that the promises are not distinct within the context of the contract and as such there is one performance obligation.

Step 3 - Determine the transaction price

The transaction price is defined as the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

The Company estimates the transaction price at contract inception, including any variable consideration, and updates the estimate each reporting period for any changes in circumstances.

When determining the transaction price, the Company assumes that the goods or services will be transferred to the customer based on the terms of the existing contract and does not take into consideration the possibility of a contract being cancelled, renewed or modified.

SALE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.5 REVENUE (continued)

Variable payments include discounts, rebates, refunds, bonuses, performance bonuses or charges for the occurrence (or lack of occurrence) of a future event and are recognised as revenue (adjusted upwards or downwards) only when it is highly probable that a significant reversal in the revenue recognised will not occur when the associated uncertainty is subsequently resolved. The Company considers highly probable to mean being able to evidence with 80-90% certainty.

Step 4 - Allocate the transaction price to the performance obligations in the contract

The Company allocates the total transaction price to each of the identified performance obligations based on their relative stand-alone selling prices. The Company typically applies an observable price or a cost-plus margin approach.

Step 5 - Recognise revenue when the entity satisfies a performance obligation

For each performance obligation, the Company recognises revenue when (or as) the performance obligation is satisfied. For each performance obligation identified, the Company determines at the contract inception whether it satisfies the performance obligation and recognises revenue over time or at a point in time. For core services provided under most facilities management contracts revenue is recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Company.

For each performance obligation satisfied over time, the Company recognises revenue over time by measuring progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of an entity's performance obligation). The nature of the good or service that the entity promised to transfer to the customer determines the appropriate method for measuring progress. The Company uses input methods and output methods.

Under the input method the Company recognise revenue based on its efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended or costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation. If the entity's efforts or inputs are expended evenly throughout the performance period, it may be appropriate for the entity to recognise revenue on a straight-line basis.

If a performance obligation is not satisfied over time, revenue is recognised at the point in time when control of the goods or services passes to the customer. This may be when the Company has the right to payment of the asset, at the point the Company has transferred physical possession of the asset, or the customer has accepted the asset. Management applies judgement to determine when a customer obtains control of a promised asset and the Company has satisfied a performance obligation.

Accrued income and deferred income

At the reporting date the Company recognises accrued income or deferred income when revenue recognised is cumulatively higher or lower than the amounts invoiced to the customer.

2.6 INTEREST INCOME

Interest income is recognised in the income statement using the effective interest method.

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.7 FINANCE COSTS

Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 TAXATION

The tax for the year comprises current and deferred tax. Tax is recognised in the income statement, except that an expense attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, plus transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 CREDITORS

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

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.12 FINANCIAL INSTRUMENTS

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value in accordance with IFRS 9.

Financial assets

All recognised financial assets are subsequently measured in their entirety at amortised cost.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company requires expected lifetime losses to be recognised from initial recognition of the receivables. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The *effective interest rate* is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for income and expenses during the year. However, the nature of estimation means the actual outcomes could differ from those estimates.

The following judgments, estimates and assumptions have had the most significant effect on amounts recognised in the financial statements:

Revenue recognition

The Company determines if a contract exists and whether it is in scope of IFRS 15. The arrangement must create enforceable rights and obligations. Typically, this will be a signed contract with the customer. The Company and customer must be committed to perform their respective obligations, each party's rights regarding the goods or services to be transferred should be identifiable, the payment terms for the goods or services to be transferred should be identifiable, the arrangement must have commercial substance and it must be probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. This assessment is completed on a case by case basis in line with IFRS 15.

At contract inception the Company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations, contractual promises to transfer distinct goods or services to a customer. For facilities management contracts with several components, judgement is necessary to determine the performance obligations by considering whether those promised goods or services are:

- a) a good or service (or bundle of goods or services) that is distinct; or
- b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

For core services provided under the facilities management contracts entered into by the Company, management has applied the principles of IFRS 15 and concluded that the promises are not distinct within the context of the contract and as such there is one performance obligation.

The Company recognises revenue on a contract by contract basis based on the satisfaction of performance obligations. Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Provisions and accruals for liabilities

Management estimation is required to determine the appropriate amounts of provisions for bad and doubtful debts, customer rebates and accruals for certain administrative expenses. The judgments, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

Derivative financial instruments

The valuation of the derivative financial instrument is provided by a third party financial institution, however this is still determined using valuation models and assumptions, including future cash flows based on applicable interest rate curves and subject to discount rates. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the derivative financial instrument such estimates are subject to significant uncertainty.

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. TURNOVER

All turnover arose within the United Kingdom from the company's principal activity, which is the provision of full civic centre facilities to Trafford Metropolitan Borough Council under the government's Private Finance Initiative ("PFI").

The PFI contract has been classified as a financial asset under IFRIC 12 and has been included within debtors in the statement of financial position.

5. OPERATING PROFIT

The Company has no employees (2017: none). All Directors' remuneration is paid by a fellow group undertaking in respect of their services to group companies. The Directors' services to the Company do not occupy a significant amount of time and consequently the Directors do not feel that they have received any remuneration for their incidental services to this Company for the year (2017: £nil).

6. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £000	2017 £000
Fees for the audit of the Company	14	14

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	<i>As restated</i> 2017 £000
Net gain on financial liabilities carried at fair value	269	416
Bank interest receivable	2	-
	<u>271</u>	<u>416</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	2017 £000
Bank interest payable	329	349

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. TAXATION

	2018	<i>As restated</i>
	£000	<i>2017</i>
		<i>£000</i>
CORPORATION TAX		
Current tax on profit for the year	90	38
Adjustments in respect of previous periods	12	3
TOTAL CURRENT TAX	<u>102</u>	<u>41</u>
DEFERRED TAX		
Origination and reversal of timing differences	58	82
Adjustments in respect of previous periods	(12)	(15)
TOTAL DEFERRED TAX	<u>46</u>	<u>67</u>
TAX ON PROFIT	<u>148</u>	<u>108</u>

FACTORS AFFECTING TAX EXPENSE FOR THE YEAR

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018	<i>As restated</i>
	£000	<i>2017</i>
		<i>£000</i>
Profit before tax	<u>536</u>	<u>425</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	102	82
EFFECTS OF:		
Expenses not deductible for tax purposes	53	50
Adjustments to tax in respect of previous periods	-	(12)
Changes to tax rates	(7)	(12)
TOTAL TAX EXPENSE FOR THE YEAR	<u>148</u>	<u>108</u>

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX EXPENSES

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance (No. 2) Act 2015 (on 26 October 2015) and the Finance Act 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. This will reduce the Company's tax expenses accordingly.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. DEBTORS

	2018	2017
	£000	£000
DUE AFTER MORE THAN ONE YEAR		
Amounts recoverable on long term contracts	6,491	6,805
	<hr/> <hr/>	<hr/> <hr/>
	2018	2017
	£000	£000
DUE WITHIN ONE YEAR		
Trade debtors	141	986
Amounts recoverable on long term contracts	314	289
Amounts owed by group undertakings	-	19
Other debtors	-	3
Prepayments and accrued income	841	474
Deferred taxation	280	326
	<hr/> <hr/>	<hr/> <hr/>
	1,576	2,097

SALE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Bank loans	354	383
Loans owed to group undertakings	692	692
Trade creditors	4	-
Amounts owed to group undertakings	2,889	1,734
Group relief payable owed to group undertakings	716	614
Other taxation and social security	35	97
Accruals and deferred income	306	315
	<u>4,996</u>	<u>3,835</u>

Loans owed to group undertakings comprise £1 Subordinated Unsecured Loan Notes carrying a fixed interest rate of 11.85%. The loan note holder ENGIE FM Limited, the parent undertaking, has agreed to waive its right to interest on the loan notes.

All other amounts owed to group undertakings are unsecured and interest free.

Secured loans

The bank loan is repayable by semi-annual instalments and carries interest at variable rate, which has been fixed by a swap for the full term of the loan. The bank loan is secured by a fixed and floating charge over all the assets of the Company.

12. CREDITORS: Amounts falling due after more than one year

	2018 £000	2017 £000
Bank loans	4,491	4,897
Financial instruments (after 1 year)	1,328	1,596
	<u>5,819</u>	<u>6,493</u>

Secured loans

The bank loan is repayable by semi-annual instalments and carries interest at variable rate, which has been fixed by a swap for the full term of the loan. The bank loan is secured by a fixed and floating charge over all the assets of the Company.

SALE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. LOANS

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	354	383
Loans owed to group undertakings	692	692
	<u>1,046</u>	<u>1,075</u>
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	242	354
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	895	831
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	3,354	3,712
	<u>5,537</u>	<u>5,972</u>

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
FINANCIAL ASSETS		
Cash and receivables	<u>5,414</u>	<u>4,368</u>
FINANCIAL LIABILITIES		
Derivative financial instruments measured at fair value through profit or loss	(1,328)	(1,596)
Financial liabilities measured at amortised cost	(9,337)	(8,480)
	<u>(10,665)</u>	<u>(10,076)</u>

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Derivative financial instruments measured at fair value through profit or loss are instruments designated as hedges of variable interest rate risk and comprise an interest rate swap to reduce the exposure to interest rate movements, which expires on 30 September 2028.

Financial liabilities measured at amortised cost comprise bank loans, loans to group undertakings, trade creditors, amounts owed to group undertakings, group relief payable to group undertakings and accruals.

15. DEFERRED TAXATION

	2018 £000	2017 £000
At beginning of year	326	393
Charged to the income statement	(46)	(67)
AT END OF YEAR	<u>280</u>	<u>326</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Depreciation in advance of capital allowances	54	54
Short-term timing differences	226	272
	<u>280</u>	<u>326</u>

SALE PFI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. CALLED UP SHARE CAPITAL

	2018	2017
	£000	£000
Allotted, called up and fully paid		
99,000 (2017: 99,000) Ordinary shares of £1.00 each	99	99

17. RESERVES

Profit and loss account

The profit and loss account records the cumulative amount of realised profits and losses less any distributions of dividends.

18. CONTROLLING PARTY

The immediate parent company of Sale PFI Limited is ENGIE FM Limited, a company registered in England and Wales. The Directors regard ENGIE S.A. as the ultimate parent company and controlling party of Sale PFI Limited. ENGIE S.A. is registered in France.

The parent undertaking of the largest group which includes the Company for which consolidated financial statements are prepared is ENGIE S.A. The parent undertaking of the smallest group to prepare consolidated financial statements, which include the Company, is ENGIE FM Limited.

Copies of the group's consolidated financial statements may be obtained from ENGIE, 1 Place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.