Registered number: 01506399

ENGIE URBAN ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

ENGIE URBAN ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS	A Hart L Kitchen
COMPANY SECRETARY	S Gregory
REGISTERED NUMBER	01506399
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

ENGIE URBAN ENERGY LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors present their stratgic report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of ENGIE Urban Energy Limited ("the Company") is the provision of heating and energy services.

Turnover for the year under review was £10,810,000 *(2017: £9,250,000)* and the loss before tax for the year under review was £760,000 *(2017: £548,000)*.

Turnover and underlying margin during the year were in line with the expectations within the scheme; however, the result for the year has been depressed with some exceptional non replicating items in 2018.

The key objective for 2019 remains the expansion of the core activities of the company, as well as growth in the group by acquisition as opportunities arise to acquire and operate existing schemes, resulting in additional services to fellow group members.

PRINCIPAL RISKS AND UNCERTAINTIES

The identification, assessment, pursuit and management of opportunities and the associated risks is an integral part of the management and processes of the Company. The Company has rigorous processes in place for managing the exposure within a specified opportunities and risk management framework that applies to all activities of the Company, including:

External risks

The Company continually addresses the impact of the external business environment, updating as appropriate, its strategy and medium term planning.

Strategic risks

In pursuit of business opportunities, the Company is particularly aware of the potential for importing risk, whether by way of winning contracts, forming joint ventures, or acquiring businesses or investments. Rigorous processes are therefore in place for managing such exposure within a specified opportunity and risk management framework.

Organisation and management risks

The retention and recruitment of staff is a challenge faced by the Company and the sector in which it operates. The Company is conscious of the reliance placed on IT systems as a platform for efficient delivery of day-to-day operational activities and continues to develop and deliver further improvements.

Delivery and operational risks

In delivering contracts and business improvement initiatives, robust processes are in place for managing the potential risk exposure.

Health, safety and environmental risks

The health and safety of its employees and of the public is of the upmost importance to the Company. The Company has a responsible attitude to the environmental impact of the infrastructure, building, industrial development and other projects with which it is concerned. It seeks to always act in accordance with good practice, preserving and, where possible, enhancing the quality of the environment. The Company's system for environmental issues continues to form a significant and integral part of its systems.

FINANCIAL KEY PERFORMANCE INDICATORS

The key performance indicators relevant to the Company's performance and prospects are as follows:

Turnover

The Company's turnover for the year totals £10,810,000 *(2017: £9,250,000)*, an increase of £1,560,000 (17%) on the previous year.

Operating profit

The Company's operating loss for the year totals £660,000 *(2017: £430,000)*, an increase of £230,000 (53%) on the previous year.

Net assets

The Company's net assets at the year end stand at £4,606,000 *(2017: £5,043,000)*, a decrease of £437,000 (9%) on the previous year. This decrease is a result of the Company's loss for the financial year and the share-based payments of £16,000.

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.

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

L Kitchen
Director

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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £453,000 *(2017: loss of £450,000)*.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 *(2017: £nil)*.

DIRECTORS

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

S Pinnell (resigned 9 January 2018)
P Rawson (resigned 9 January 2018)
A Hart (appointed 1 January 2018)
L Kitchen (appointed 1 January 2018)
D Sheridan (appointed 1 January 2018; resigned 30 September 2018)

FUTURE DEVELOPMENTS

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, interest rate cash flow 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 and liquidity risk. The Company has not used financial instruments to manage its exposure to these risks.

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 Company has no significant concentration of credit risk, with exposure spread over a large number of customers. 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 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.

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

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.

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

L Kitchen
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are responsible for preparing the strategic report, 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 ENGIE URBAN ENERGY LIMITED

Opinion

We have audited the financial statements of ENGIE Urban Energy 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 25, 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 loss 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 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 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 directors' report have 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 strategic report or 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.

Responsibilities of directors

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

Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
30 September 2019

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	*2017 £000*
Turnover	4	**10,810**	*9,250*
Cost of sales		**(10,224)**	*(10,410)*
Gross profit/(loss)		**586**	*(1,160)*
Administrative expenses		**(3,488)**	*(1,782)*
Other operating income	5	**2,242**	*2,512*
Operating loss	6	**(660)**	*(430)*
Interest receivable and similar income	9	**54**	*16*
Interest payable and similar expenses	10	**(154)**	*(134)*
Loss before tax		**(760)**	*(548)*
Tax on loss	11	**307**	*98*
Loss for the financial year		**(453)**	*(450)*

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 12 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	**13**	*22*
Tangible assets	13	**2,124**	*1,965*
Investments		**-**	*-*
		2,137	*1,987*
Current assets			
Debtors: amounts falling due within one year	15	**34,474**	*35,766*
Cash at bank and in hand		**181**	*169*
		34,655	*35,935*
Creditors: amounts falling due within one year	16	**(23,678)**	*(24,338)*
Net current assets		**10,977**	*11,597*
Total assets less current liabilities		**13,114**	*13,584*
Creditors: amounts falling due after more than one year	17	**(8,500)**	*(8,500)*
		4,614	*5,084*
Provisions for liabilities			
Deferred taxation	20	**(8)**	*(41)*
Net assets		**4,606**	*5,043*
Capital and reserves			
Called up share capital	21	**550**	*550*
Capital redemption reserve	22	**1,509**	*1,509*
Profit and loss account	22	**2,547**	*2,984*
Total equity		**4,606**	*5,043*

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

L Kitchen
Director

The notes on pages 12 to 29 form part of these financial statements.

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

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	550	1,509	3,425	5,484
Comprehensive loss for the year				
Loss for the financial year	-	-	(450)	(450)
Total comprehensive loss for the year	-	-	(450)	(450)
Share-based payments	-	-	9	9
Total transactions with owners	-	-	9	9
At 1 January 2018	550	1,509	2,984	5,043
Comprehensive loss for the year				
Loss for the financial year	-	-	(453)	(453)
Total comprehensive loss for the year	-	-	(453)	(453)
Share-based payments	-	-	16	16
Total transactions with owners	-	-	16	16
At 31 December 2018	550	1,509	2,547	4,606

The notes on pages 12 to 29 form part of these financial statements.

1. GENERAL INFORMATION

The financial statements of ENGIE Urban Energy Limited for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 30 September 2019 and the statement of financial position was signed on the Board's behalf by L Kitchen.

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 Company is itself a subsidiary company and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has applied IFRS 15 *'Revenue from contracts with customers'*, IFRS 9 *'Financial instruments'* and the *Annual Improvements 2014-2016* cycle for the first time for the reporting period commencing 1 January 2018. The application of these standards did not have a material impact on the Company.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 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;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- 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

2.4 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.

2.5 REVENUE

For all contracts with customers the Company recognises revenue when performance obligations have been satisfied. For most of the Company's 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 REVENUE (continued)

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.

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 contracts with several components, judgment 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 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.

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 as per the contract.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 REVENUE (continued)

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 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 mainly uses the output method as the core services provided include the initial connection to the Companies assets and then the on-going supply of energy to the customer.

Costs to obtain a contract

The incremental costs to obtain a contract with a customer are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Costs to fulfil a contract

Costs incurred to ensure that a contract is appropriately mobilised and transformed to enable the delivery of full services under the contract target operating model, are contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the balance sheet:

a) the costs relate directly to the contract or to a specific anticipated contract;
b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
c) the costs are expected to be recovered.

For costs incurred in fulfilling a contract with a customer that are within the scope of another IFRS, the Company accounts for these in accordance with those other IFRSs.

Amortisation and impairment of contract assets

The Company amortises contract assets (costs to obtain a contract and costs to fulfil a contract) on a systematic basis that is consistent with the transfer to the customer of the related goods or services to which the asset relates.

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. ACCOUNTING POLICIES (CONTINUED)

2.6 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 INTEREST INCOME

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

2.8 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.

2.9 PENSIONS

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 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. ACCOUNTING POLICIES (CONTINUED)

2.11 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following bases:

Computer software	At appropriate rates varying from 10% to 33%

2.12 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 15% per annum on a reducing balance basis
Fixtures and fittings	- at appropriate rates varying from 15% to 33.3%
Office equipment	- 33.3%
Assets under construction	- No depreciation charged

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.13 ASSETS UNDER CONSTRUCTION

Assets under construction include those costs incurred on plant and machinery which are not yet fully commissioned. Assets under construction are not depreciated until they are ready for use, when they are transferred to the relevant asset class and depreciated over their useful economic lives.

2.14 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2. ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FINANCIAL INSTRUMENTS (continued)

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.

2.19 GOVERNMENT GRANTS

Government grants received on capital expenditure are initially recognised within deferred income on the Company's statement of financial position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

2.20 SHARE BASED PAYMENTS

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and where applicable, adjusted for the effect of non-market-based vesting conditions including service conditions.

The share-based payment charge of £16,000 for the year ended 31 December 2018 *(2017: £9,000)* is not deemed to be material for further disclosure in these financial statements.

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 contracts with several components, judgment 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 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.

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.

4. TURNOVER

All turnover arose within the United Kingdom from the Company's principal activity, which is the provision of heating and energy services.

5. OTHER OPERATING INCOME

	2018 £000	*2017 £000*
Government grants receivable	290	*-*
Management fees receivable	1,952	*2,512*
	2,242	*2,512*

6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2018 £000	*2017 £000*
Depreciation of tangible assets	187	*205*
Amortisation of intangible assets	9	*5*
Defined contribution pension cost	481	*407*
Operating leases - minimum lease payments	187	*281*
Government grants	(290)	*-*

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)*.

7. 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	41	*40*

8. EMPLOYEES

Staff costs were as follows:

	2018 £000	*2017 £000*
Wages and salaries	**2,388**	*933*
Social security costs	**697**	*761*
Cost of defined contribution scheme	**481**	*407*
Share-based payments	**16**	*9*
	3,582	*2,110*

The average monthly number of employees during the year was as follows:

	2018 Number	*2017 Number*
Management, administration and operations	**159**	*147*

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	*2017 £000*
Interest receivable from group undertakings	**54**	*16*

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	*2017 £000*
Bank interest payable	**-**	*1*
Interest payable on loans from group undertakings	**152**	*130*
Exchange differences	**2**	*3*
	154	*134*

11. TAXATION

	2018 £000	*2017 £000*
CORPORATION TAX		
Current tax on loss for the year	**(163)**	*(121)*
Adjustments in respect of previous periods	**(111)**	*52*
	(274)	*(69)*
TOTAL CURRENT TAX	**(274)**	*(69)*
DEFERRED TAX		
Origination and reversal of timing differences	**18**	*15*
Adjustments in respect of previous periods	**(51)**	*(44)*
TOTAL DEFERRED TAX	**(33)**	*(29)*
TAX ON LOSS	**(307)**	*(98)*

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

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

	2018 £000	*2017 £000*
Loss on ordinary activities before tax	**(760)**	*(548)*
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**(145)**	*(106)*
EFFECTS OF:		
Expenses not deductible for tax purposes	**2**	*1*
Adjustments to tax in respect of previous periods	**(162)**	*8*
Changes to tax rates	**(2)**	*(1)*
TOTAL TAX CREDIT FOR THE YEAR	**(307)**	*(98)*

11. 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.

12. INTANGIBLE ASSETS

	Computer software £000
COST	
At 1 January 2018	**27**
At 31 December 2018	**27**
AMORTISATION	
At 1 January 2018	**5**
Charge for the year	**9**
At 31 December 2018	**14**
NET BOOK VALUE	
At 31 December 2018	**13**
At 31 December 2017	*22*

13. TANGIBLE ASSETS

	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000	Assets under construction £000	Total £000
COST					
At 1 January 2018	2,232	149	693	606	3,680
Additions	-	-	-	756	756
Transfers intra group	-	-	-	(410)	(410)
At 31 December 2018	2,232	149	693	952	4,026
DEPRECIATION					
At 1 January 2018	918	131	666	-	1,715
Charge for the year	159	4	24	-	187
At 31 December 2018	1,077	135	690	-	1,902
NET BOOK VALUE					
At 31 December 2018	1,155	14	3	952	2,124
At 31 December 2017	*1,314*	*18*	*27*	*606*	*1,965*

14. FIXED ASSET INVESTMENTS

The cost and net book value of the Company's investment in subsidiary companies is £100.

The Directors believe that the carrying value of the investments is supported by their underlying net assets and the future forecast profits and cash flows of the subsidiary undertakings.

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Industrielle de Chauffage Enterprise United Kingdom Limited	Ordinary	100%

The subsidiary undertaking was incorporated in England and Wales to provide design engineering services.

The registered office of Industrielle de Chauffage Enterprise United Kingdom Limited is ENGIE Q3 Office, Quorum Business Park, Benton Lane, Newcastle-upon-Tyne, Tyne and Wear, NE12 8EX.

15. DEBTORS

	2018 £000	*2017 £000*
Trade debtors	**4,486**	*369*
Amounts owed by group undertakings	**25,243**	*32,533*
Group relief receivable from group undertakings	**-**	*69*
Other debtors	**376**	*293*
Prepayments and accrued income	**4,174**	*2,502*
Tax recoverable	**195**	*-*
	34,474	*35,766*

Included in amounts owed by group undertakings is a balance of £8,515,000 *(2017: £13,912,000)* held in a group cash pool arrangement, which is available on demand.

16. CREDITORS: Amounts falling due within one year

	2018 £000	*2017 £000*
Trade creditors	**2,311**	*1,528*
Amounts owed to group undertakings	**19,941**	*21,623*
Group relief payable to group undertakings	**117**	*50*
Other taxation and social security	**576**	*243*
Other creditors	**61**	*45*
Accruals and deferred income	**672**	*849*
	23,678	*24,338*

Amounts owed to group undertakings are unsecured and interest free.

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

	2018 £000	*2017 £000*
Amounts owed to group undertakings	**8,500**	*8,500*

Included within amounts owed to group undertakings, is an intercompany balance with ENGIE Treasury Management S.A.R.L of £8,500,000 *(2017: £8,500,000)*, which is unsecured and accrues interest at an effective rate of 1.54% per annum.

18. LOANS

Analysis of the maturity of loans is given below:

	2018 £000	*2017 £000*
AMOUNTS FALLING DUE 2-5 YEARS		
Amounts owed to group undertakings	**8,500**	*8,500*

19. FINANCIAL INSTRUMENTS

	2018 £000	*2017 £000*
FINANCIAL ASSETS		
Cash and receivables	**32,131**	*31,609*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(31,490)**	*(32,331)*

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings, group relief receivable from group undertakings, other debtors (other than statutory amounts) and accrued income.

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

20. DEFERRED TAXATION

	2018 £000	*2017 £000*
At beginning of year	**(41)**	*(70)*
Credited to the income statement	**33**	*29*
AT END OF YEAR	**(8)**	*(41)*

20. DEFERRED TAXATION (CONTINUED)

The provision for deferred taxation is made up as follows:

	2018 £000	*2017 £000*
Accelerated capital allowances	**(18)**	*(49)*
Short-term timing differences	**10**	*8*
	(8)	*(41)*

21. CALLED UP SHARE CAPITAL

	2018 £000	*2017 £000*
Allotted, called up and fully paid		
550,000 *(2017: 550,000)* Ordinary shares of £1.00 each	**550**	*550*

22. RESERVES

Capital redemption reserve

The capital redemption reserve has arisen as a result of the transfer of amounts owed to the Company's parent undertaking to reserves as a capital contribution.

Profit and loss account

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

23. PENSION COMMITMENTS

The cost of contributions to the defined contribution scheme amounts to £481,000 *(2017: £407,000)*. There were outstanding contributions totalling £49,000 *(2017: £37,000)* payable to the scheme at the year end, which are included within other creditors.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	*2017 £000*
Land and buildings		
Not later than 1 year	**86**	*174*
Later than 1 year and not later than 5 years	**50**	*156*
	136	*330*

	2018 £000	*2017 £000*
Plant and machinery		
Not later than 1 year	**62**	*87*
Later than 1 year and not later than 5 years	**39**	*102*
	101	*189*

25. CONTROLLING PARTY

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

The parent undertaking of the smallest and largest group which includes the Company for which consolidated financial statements are prepared is ENGIE S.A.

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.