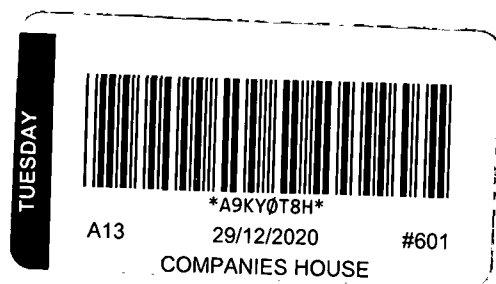


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**SALE PFI LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**



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**SALE PFI LIMITED**

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**COMPANY INFORMATION**

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

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**SALE PFI LIMITED**

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**SALE PFI LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present their report and the audited financial statements for the year ended 31 December 2019.

**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").

**DIRECTORS**

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

S Hockman  
B Lala

**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 and trade and other debtors. 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.

**Liquidity risk**

The Company is exposed to liquidity risk on its financial liabilities, including derivative financial instruments, bank loans, trade and other creditors and amounts owed to group undertakings. In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, which is particularly important given the ongoing economic crisis, the Company benefits from access to both short-term liquidity and longer-term financing support from the ENGIE group.

Within the UK & Ireland Business Unit ("UK BU"), of which the Company is a part, management has also explored alternative sources of liquidity including increased overdraft facilities from UK banks, the implementation of a Revolving Credit Facility and UK Government support offered via the COVID Corporate Financing Facility. However, despite such arrangements being readily available, this review has concluded that the ENGIE group financing is currently the most economical and rational solution for the Company. The Directors do not anticipate any issues in accessing necessary liquidity for the foreseeable future. The situation is, of course, under continual review.

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**SALE PFI LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**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**

Given the current health and economic crisis which has evolved since the financial year end, the Directors have paid close attention to the Company's ability to continue to adopt the going concern basis of preparation for these financial statements. Clearly, the current situation is having an adverse impact on current year trading results and a deterioration in cash inflow is a reality.

Several initiatives have been implemented to protect the financial standing of the Company. Within the UK a significant number of employees have been furloughed taking advantage of funding available from the Government, capital expenditure and discretionary spend restrictions are being enforced, VAT payments have been deferred (allowed in accordance with HMRC guidelines) and direct pandemic related costs are being closely monitored. Detailed weekly cash flow forecasting is taking place and the situation will be reviewed on an ongoing basis involving regular communication with the ENGIE group.

The Directors remain confident that both short-term liquidity and longer-term financing support is readily available from the ENGIE group (which has a BBB+ credit rating from Standard & Poor's), should this be required, and the Company has no reliance on external third-party debt. Further, the UK business has been offered or could obtain several financial support arrangements from the banking industry and although these are currently deemed unnecessary, this helps support the conclusion that no financing issues are currently foreseen. The Directors are therefore 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, they have continued to adopt the going concern basis in preparing the 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.

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**SALE PFI LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**POST BALANCE SHEET EVENTS**

Since the year end, the world has and is continuing to face the COVID-19 pandemic on an unprecedented scale which is resulting in a health and economic crisis and the Company and the ENGIE group is taking numerous actions to help weather the storm. The Company's and the ENGIE group's top priority is clearly the health and safety of all its stakeholders, especially its employees.

The Company and the ENGIE group have no experience of a similar crisis and it is difficult to predict the full extent that coronavirus will have on operations. However, the Company has a strong statement of financial position and furthermore, is confident it has the financial support of ENGIE group in relation to both short-term liquidity and longer-term financing solutions to help overcome any financial challenges that may arise. The situation is, of course, under continual review.

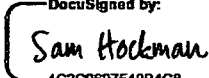
On 13 November 2020, the ENGIE group announced that the first phase of its strategic review of Client Solutions activities has been completed. This group review is taking place with a view to maximise value, reinforce its leadership position and seize future growth opportunities, through a coherent perimeter and adapted organisation. The preliminary scope of activities that will be retained or those where ownership could change has now been defined, with each Client Solutions activity initially assessed on its alignment with the ENGIE group's new strategic orientation, considering three main criteria: business model; nature of the activity and development potential in each geography.

ENGIE will retain activities in Client Solutions focused on low-carbon energy production, energy infrastructure and associated services providing complex, integrated and large-scale solutions to Cities, Communities and Industries. For other Client Solutions activities, a new entity will be created as a leader in asset-light activities and related services. These activities benefit from strong growth prospects and leadership positions, however, they are less aligned with ENGIE's new strategic orientation. The new entity will be focused on two business models: design and build projects and recurring O&M services.

Following completion of this first phase, the next steps include the organisation design and appointment of future management teams for the proposed new entity, the preparation for separation of activities and the review of options for future ownership.

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 11 December 2020 and signed on its behalf.

DocuSigned by:  
  
4C2C9697540B4C8...  
**S Hockman**  
Director

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**SALE PFI LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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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 2019 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 19, 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 2019 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 United Kingdom, including the Financial Reporting Council'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.

### **Emphasis of matter – Effects of COVID-19**

We draw attention to Note 18 of the financial statements, which describes the potential financial and operational impact the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

### **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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALE PFI LIMITED (CONTINUED)**

### **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 4, 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALE PFI LIMITED (CONTINUED)

### 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 FRC'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.

Handwritten signature of Caroline Mulley in black ink, appearing to read 'Ernst + Young W'.

Caroline Mulley (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Newcastle upon Tyne  
14 December 2020

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**SALE PFI LIMITED**

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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	2019 £000	2018 £000
Turnover	4	1,807	1,361
Cost of sales		(1,340)	(711)
<b>Gross profit</b>		<u>467</u>	<u>650</u>
Administrative expenses		(68)	(56)
<b>Operating profit</b>	5	<u>399</u>	<u>594</u>
Interest receivable and similar income	7	36	271
Interest payable and similar expenses	8	(309)	(329)
<b>Profit before tax</b>		<u>126</u>	<u>536</u>
Tax on profit	9	(74)	(148)
<b>Profit for the financial year</b>		<u><u>52</u></u>	<u><u>388</u></u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the income statement and therefore no statement of comprehensive income has been presented.


The notes on pages 11 to 27 form part of these financial statements.

**SALE PFI LIMITED**  
**REGISTERED NUMBER: 04382404**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	10	6,151	6,491
Debtors: amounts falling due within one year	10	1,496	1,576
Cash at bank and in hand		5,840	4,950
		<u>13,487</u>	<u>13,017</u>
Creditors: amounts falling due within one year	11	(5,578)	(4,996)
<b>Net current assets</b>		<u>7,909</u>	<u>8,021</u>
<b>Total assets less current liabilities</b>			
		<u>7,909</u>	<u>8,021</u>
Creditors: amounts falling due after more than one year	12	(5,655)	(5,819)
<b>Net assets</b>		<u>2,254</u>	<u>2,202</u>
<b>Capital and reserves</b>			
Called up share capital	16	99	99
Profit and loss account	17	2,155	2,103
<b>Total equity</b>		<u>2,254</u>	<u>2,202</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 11 December 2020.

DocuSigned by:  
  
 4C2C8697540B4C8...  
**S Hockman**  
 Director

The notes on pages 11 to 27 form part of these financial statements.

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**SALE PFI LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Called up share capital £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2018</b>	<b>99</b>	<b>1,715</b>	<b>1,814</b>
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	388	388
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>388</b>	<b>388</b>
<b>At 1 January 2019</b>	<b>99</b>	<b>2,103</b>	<b>2,202</b>
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	52	52
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>52</b>	<b>52</b>
<b>At 31 December 2019</b>	<b>99</b>	<b>2,155</b>	<b>2,254</b>

The notes on pages 11 to 27 form part of these financial statements.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. GENERAL INFORMATION**

The financial statements of Sale PFI Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 11 December 2020 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:

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**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**

Given the current health and economic crisis which has evolved since the financial year end, the Directors have paid close attention to the Company's ability to continue to adopt the going concern basis of preparation for these financial statements. Clearly, the current situation is having an adverse impact on current year trading results and a deterioration in cash inflow is a reality.

Several initiatives have been implemented to protect the financial standing of the Company. Within the UK a significant number of employees have been furloughed taking advantage of funding available from the Government, capital expenditure and discretionary spend restrictions are being enforced, VAT payments have been deferred (allowed in accordance with HMRC guidelines) and direct pandemic related costs are being closely monitored. Detailed weekly cash flow forecasting is taking place and the situation will be reviewed on an ongoing basis involving regular communication with the ENGIE group.

The Directors remain confident that both short-term liquidity and longer-term financing support is readily available from the ENGIE group (which has a BBB+ credit rating from Standard & Poor's), should this be required, and the Company has no reliance on external third-party debt. Further, the UK business has been offered or could obtain several financial support arrangements from the banking industry and although these are currently deemed unnecessary, this helps support the conclusion that no financing issues are currently foreseen. The Directors are therefore 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, they have continued to adopt the going concern basis in preparing the financial statements.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (CONTINUED)****2.4 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.

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. Judgment 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.



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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (CONTINUED)****2.4 REVENUE (continued)***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, 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 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.

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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.4 REVENUE (continued)**

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 recognises 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 judgment 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.

**2.5 INTEREST INCOME**

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

**2.6 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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.7 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.

**2.8 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.

**2.9 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.

**2.10 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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.11 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The changes in the fair value of any derivative instrument are recognised immediately in profit or loss and are included in finance income or finance costs.

**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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.12 FINANCIAL INSTRUMENTS (continued)**

**Financial liabilities**

**Fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

**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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**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, 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 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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**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 (2018: none). All Directors' remuneration is paid by fellow group undertakings in respect of their services to group companies. The Directors' services to the Company do not occupy a significant amount of time and consequently no allocation can be made to the Company for qualifying services for the year (2018: £nil).

**6. AUDITOR'S REMUNERATION**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<b>16</b>	<b>14</b>
	<u><u>16</u></u>	<u><u>14</u></u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Net gain on financial liabilities carried at fair value	<b>33</b>	<b>269</b>
Bank interest receivable	<b>3</b>	<b>2</b>
	<u><u>36</u></u>	<u><u>271</u></u>

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	<b>309</b>	<b>329</b>
	<u><u>309</u></u>	<u><u>329</u></u>

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**9. TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>CORPORATION TAX</b>		
Current tax on profit for the year	64	90
Adjustments in respect of previous periods	-	12
<b>TOTAL CURRENT TAX</b>	<b>64</b>	<b>102</b>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	16	58
Adjustments in respect of previous periods	(6)	(12)
<b>TOTAL DEFERRED TAX</b>	<b>10</b>	<b>46</b>
<b>TAX ON PROFIT</b>	<b>74</b>	<b>148</b>

**FACTORS AFFECTING TAX EXPENSE FOR THE YEAR**

The tax assessed for the year is higher than (2018: *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Profit before tax	126	536
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	24	102
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	58	53
Adjustments to tax in respect of previous periods	(6)	-
Changes to tax rates	(2)	(7)
<b>TOTAL TAX EXPENSE FOR THE YEAR</b>	<b>74</b>	<b>148</b>



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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**9. TAXATION (CONTINUED)**

**FACTORS THAT MAY AFFECT FUTURE TAX EXPENSES**

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016 (on 6 September 2016). This included a reduction to the main rate to 17% from 1 April 2020.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements and deferred taxes have therefore been measured at the rate of 17% that was substantively enacted at the year end.

It is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would not be material to these financial statements.

**10. DEBTORS**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>DUE AFTER MORE THAN ONE YEAR</b>		
Amounts recoverable on long term contracts	<b>6,151</b>	<b>6,491</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>DUE WITHIN ONE YEAR</b>		
Trade debtors	<b>17</b>	<b>141</b>
Amounts recoverable on long term contracts	<b>341</b>	<b>314</b>
Other debtors	<b>3</b>	<b>-</b>
Prepayments and accrued income	<b>865</b>	<b>841</b>
Deferred taxation	<b>270</b>	<b>280</b>
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	<b>1,496</b>	<b>1,576</b>

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**11. CREDITORS: Amounts falling due within one year**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
Bank loans	215	354
Loans owed to group undertakings	692	692
Trade creditors	-	4
Amounts owed to group undertakings	3,378	2,889
Group relief payable to group undertakings	644	716
Other taxation and social security	80	35
Other creditors	36	-
Accruals and deferred income	533	306
	<u>5,578</u>	<u>4,996</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**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
Bank loans	4,360	4,491
Financial instruments	1,295	1,328
	<u>5,655</u>	<u>5,819</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.

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**13. LOANS**

Analysis of the maturity of loans is given below:

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Bank loans	<b>215</b>	<i>354</i>
Loans owed to group undertakings	<b>692</b>	<i>692</i>
	<b>907</b>	<i>1,046</i>
<b>AMOUNTS FALLING DUE 1-2 YEARS</b>		
Bank loans	<b>313</b>	<i>242</i>
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>		
Bank loans	<b>962</b>	<i>895</i>
<b>AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS</b>		
Bank loans	<b>3,085</b>	<i>3,354</i>
	<b>5,267</b>	<i>5,537</i>

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**14. FINANCIAL INSTRUMENTS**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
<b>FINANCIAL ASSETS</b>		
Financial assets measured at amortised cost	<u><b>6,700</b></u>	<u><i>5,414</i></u>
<b>FINANCIAL LIABILITIES</b>		
Derivative financial instruments measured at fair value through profit or loss	<b>(1,295)</b>	<i>(1,328)</i>
Financial liabilities measured at amortised cost	<b>(9,699)</b>	<i>(9,337)</i>
	<u><b>(10,994)</b></u>	<u><i>(10,665)</i></u>

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, 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, other creditors and accruals.

**15. DEFERRED TAXATION**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
At beginning of year	<b>280</b>	<i>326</i>
Charged to the income statement	<b>(10)</b>	<i>(46)</i>
<b>AT END OF YEAR</b>	<u><b>270</b></u>	<u><i>280</i></u>

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**15. DEFERRED TAXATION (CONTINUED)**

The deferred tax asset is made up as follows:

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
Depreciation in advance of capital allowances	<b>50</b>	<i>54</i>
Short-term timing differences	<b>220</b>	<i>226</i>
	<b>270</b>	<i>280</i>
	<u><b>270</b></u>	<u><i>280</i></u>

**16. CALLED UP SHARE CAPITAL**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
<b>Allotted, called up and fully paid</b>		
99,000 ( <i>2018: 99,000</i> ) Ordinary shares of £1.00 each	<b>99</b>	<i>99</i>
	<u><b>99</b></u>	<u><i>99</i></u>

**17. RESERVES**

**Profit and loss account**

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

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**SALE PFI LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**18. POST BALANCE SHEET EVENTS**

Since the year end, the world has and is continuing to face the COVID-19 pandemic on an unprecedented scale which is resulting in a health and economic crisis and the Company and the ENGIE group is taking numerous actions to help weather the storm. The Company's and the ENGIE group's top priority is clearly the health and safety of all its stakeholders, especially its employees.

The Company and the ENGIE group have no experience of a similar crisis and it is difficult to predict the full extent that coronavirus will have on operations. However, the Company has a strong statement of financial position and furthermore, is confident it has the financial support of ENGIE group in relation to both short-term liquidity and longer-term financing solutions to help overcome any financial challenges that may arise. The situation is, of course, under continual review.

On 13 November 2020, the ENGIE group announced that the first phase of its strategic review of Client Solutions activities has been completed. This group review is taking place with a view to maximise value, reinforce its leadership position and seize future growth opportunities, through a coherent perimeter and adapted organisation. The preliminary scope of activities that will be retained or those where ownership could change has now been defined, with each Client Solutions activity initially assessed on its alignment with the ENGIE group's new strategic orientation, considering three main criteria: business model; nature of the activity and development potential in each geography.

ENGIE will retain activities in Client Solutions focused on low-carbon energy production, energy infrastructure and associated services providing complex, integrated and large-scale solutions to Cities, Communities and Industries. For other Client Solutions activities, a new entity will be created as a leader in asset-light activities and related services. These activities benefit from strong growth prospects and leadership positions, however, they are less aligned with ENGIE's new strategic orientation. The new entity will be focused on two business models: design and build projects and recurring O&M services.

Following completion of this first phase, the next steps include the organisation design and appointment of future management teams for the proposed new entity, the preparation for separation of activities and the review of options for future ownership.

**19. 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.