Registered number: 01506399

ENGIE URBAN ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ENGIE URBAN ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS	S Hockman B Lala
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

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The Directors present their stratgic report for the year ended 31 December 2019.

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 £25,453,000 *(2018: £10,810,000)* and the profit before tax for the year under review was £1,016,000 *(2018: loss of £760,000)*.

The Company has benefited from additional growth in District Heating activities in the Engie UK group of companies by providing construction services to those entities.

The key objective for 2020 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.

The Company implemented IFRS 16 *'Leases'* on 1 January 2019. Details of the recognition or measurement differences arising on the adoption of this standard is included in note 2.4 to these financial statements.

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 £25,453,000 *(2018: £10,810,000)*, an increase of £14,643,000 (135%) on the previous year.

Operating profit

The Company's operating profit for the year totals £984,000 *(2018: loss of £660,000)*, an increase of £1,644,000 (249%) *on the previous year.*

Net assets

The Company's net assets at the year end stand at £5,060,000 *(2018: £4,606,000)*, an increase of £454,000 (10%) on the previous year. This increase is a result of the Company's profit for the financial year and the share-based payments of £22,000.

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (UNDER SECTION 172 (1) OF THE COMPANIES ACT 2006)

Long term consequences of decisions made in year

The Company's key stakeholders have been determined to be the Company's parent undertaking and other companies within the ENGIE group, as well as its customers and suppliers. There have been no significant decisions made during the year, which would have long-term consequences on the future performance of the Company.

Fostering business relationships with suppliers, customers and other stakeholders

The Company aligns to a set of standards that support stakeholder engagement efforts and for responsible procurement, the Company aligns to the ISO 20400 Sustainable Procurement Standard. Providing excellent customer service is a key focus for the Company, demonstrated by the achievement of the Institute of Customer Service ServiceMark and in relation to anti-corruption management system there is in place an ISO 37001:2016 certification.

The Company has also developed strong relationships with UK Government stakeholders such as Research and Innovation and Innovate UK relevant Catapults (specifically Connected Places, Digital, Energy Systems and Offshore Renewable Energy). The Company also engages with a range of university stakeholders.

Across ENGIE, the ambition is to lead the transition towards a zero-carbon future and the supply chain plays a crucial role in delivering this objective. The UK & Ireland Business Unit ("UK BU"), of which the Company is a part, and wider ENGIE group are committed to working with suppliers who share the desire to drive positive change for our customers, communities and the environment.

ENGIE has partnered with EcoVadis to monitor and measure the social and environmental performance of its supply chain. To help drive this positive change within the UK supply chain, the Company has launched the 'Supplier Membership Scheme' and 'Responsible Business Development Initiative' ("RBDI"). Membership is voluntary and open to the 1,000 largest suppliers. Members pay a fee to join the initiative, which contributes towards the creation and ongoing funding of the newly created RBDI. The RBDI is governed by a Community Investment Board ("CIB"), made up of senior leaders within ENGIE UK & Ireland and supplier representatives. It will deliver a range of initiatives focused on reinvesting in the supply chain to create tangible positive community impacts, including:

• supply chain training and collaboration to accelerate a zero-carbon transition;
• supporting suppliers to reduce their carbon footprint;
• growth and support of the voluntary, community and social enterprise ("VCSE") sector; and
• collaborating with industry leaders in responsible procurement, including direct funding of several EcoVadis registrations for micro and small organisations on an annual basis.

Impact of the Company's operations on the community and environment

ENGIE's Responsible Business Charter includes reference to the commitment to invest in both communities and environmental leadership.

The UK BU defines community investment as the total financial value of employee fundraising, employee volunteering hours and management time, gifts and donations, financial investment including spend with the VCSE sector and sponsorship of community events.

In 2019 the total community investment for the UK BU exceeded £1 million for the second consecutive year. This included over 14,000 volunteering hours, £140,000 raised for the ENGIE chosen charities and over £220,000 of investment into community funds associated with ENGIE wind farms across the UK.

In 2019 the UK BU continued to improve environmental performance against a range of indicators. In line with ENGIE's business purpose of 'Making Zero Carbon Happen', the UK BU has reduced Scope 1 and 2 corporate carbon intensity by 57% since 2012 and Scope 3 emissions by 5% since 2018. The UK BU has saved clients over 71,000 tonnes of CO_2e and increased the proportion of vehicle fleet made up of electric vehicles to 9%. As of 2019, Scope 1 and 2 asset carbon intensity has been reduced by 76% and freshwater abstraction by 62%. The proportion of electricity generating capacity comprising renewables remains at 4%.

The maintenance of high standards of conduct

The UK Directors maintain high standards of business conduct by ensuring that activities of the UK BU companies of ENGIE are in line with ENGIE's Ethics Charter, policies and codes of conduct. The overarching Ethics Charter includes a zero tolerance for all forms of corruption and is supplemented with a range of more specific policies and practical guidelines which deal with areas such as supplier relationships, conflicts of interest and gifts and hospitality. All Board members have received training in this respect. The Directors' actions are also guided by ENGIE's core values: Bold, Open, Caring and Demanding, which help define the UK BU companies' strategies and targets. Additional assurance that high standards of conduct are maintained is gained from the oversight and guidance the companies receive from the independent Scrutiny Board, which is a non-statutory oversight committee appointed to assess activities against the Responsible Business Charter. The Responsible Business Charter aims to ensure that ENGIE operates to the highest economic, social and environmental standards while building and maintaining public trust.

Summary of methods used by the Directors to engage with stakeholders and understanding issues relevant to key decisions

The Directors utilise a full range of communication channels managed at the UK BU level to engage with stakeholders. These include face to face meetings, forums and events, reports and other written materials, as well as through public relations activity, targeted digital content and social media.

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.

In line with Government regulations, there have been some partial and full office closures to the buildings that are connected to the district energy scheme, which has resulted in a reduced requirement for heating, cooling and electricity throughout the period of the pandemic, with these reductions set to continue for the short-term, as sites gradually reopen at only partial capacity in line with the lifting of restrictions.

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.

This report was approved by the Board 21 December 2020 and signed on its behalf.

DocuSigned by:
Bilal Lala
08CD377242D34F7...
B Lala
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £432,000 *(2018: loss of £453,000)*.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 *(2018: £nil)*.

DIRECTORS

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

A Hart (resigned 31 March 2020)
L Kitchen (resigned 31 March 2020)
S Hockman (appointed 1 April 2020)
B Lala (appointed 1 April 2020)

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 and other creditors, lease liabilities 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 BU, 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.

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

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.

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 the 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.

This report was approved by the Board on on 21 December 2020 and signed on its behalf.

DocuSigned by:
Bilal Lala
08CD377242D34F7...

B Lala
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27, 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 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 26 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 ENGIE URBAN ENERGY 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 strategic report and 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 7, 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
8 January 2021

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	*2018 £000*
Turnover	4	**25,453**	*10,810*
Cost of sales		**(21,425)**	*(10,224)*
Gross profit		**4,028**	*586*
Administrative expenses		**(6,838)**	*(3,488)*
Other operating income	5	**3,794**	*2,242*
Operating profit/(loss)	6	**984**	*(660)*
Interest receivable and similar income	9	**225**	*54*
Interest payable and similar expenses	10	**(193)**	*(154)*
Profit/(loss) before tax		**1,016**	*(760)*
Tax on profit/(loss)	11	**(584)**	*307*
Profit/(loss) for the financial year		**432**	*(453)*

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 14 to 42 form part of these financial statements.

ENGIE URBAN ENERGY LIMITED
REGISTERED NUMBER: 01506399

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	*2018 £000*
Fixed assets			
Intangible assets	12	**4**	*13*
Tangible assets	13	**5,434**	*2,124*
Investments	14	**-**	*-*
		5,438	*2,137*
Current assets			
Debtors: amounts falling due within one year	15	**36,835**	*34,474*
Cash at bank and in hand		**120**	*181*
		36,955	*34,655*
Creditors: amounts falling due within one year	16	**(28,574)**	*(23,678)*
Net current assets		**8,381**	*10,977*
Total assets less current liabilities		**13,819**	*13,114*
Creditors: amounts falling due after more than one year	17	**(8,637)**	*(8,500)*
		5,182	*4,614*
Provisions for liabilities			
Deferred taxation	21	**(122)**	*(8)*
Net assets		**5,060**	*4,606*
Capital and reserves			
Called up share capital	22	**550**	*550*
Capital redemption reserve	23	**1,509**	*1,509*
Profit and loss account	23	**3,001**	*2,547*
Total equity		**5,060**	*4,606*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 21 December 2020.

DocuSigned by:
Bilal Lala
08CD377242D34F7...

B Lala
Director

The notes on pages 14 to 42 form part of these financial statements.

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

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
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 1 January 2019	550	1,509	2,547	4,606
Comprehensive income for the year				
Profit for the financial year	-	-	432	432
Total comprehensive income for the year	-	-	432	432
Share-based payments	-	-	22	22
Total transactions with owners	-	-	22	22
At 31 December 2019	550	1,509	3,001	5,060

The notes on pages 14 to 42 form part of these financial statements.

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

1. GENERAL INFORMATION

The financial statements of ENGIE Urban Energy Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 21 December 2020 and the statement of financial position was signed on the Board's behalf by B Lala.

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. 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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

2.3 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.

In line with Government regulations, there have been some partial and full office closures to the buildings that are connected to the district energy scheme, which has resulted in a reduced requirement for heating, cooling and electricity throughout the period of the pandemic, with these reductions set to continue for the short-term, as sites gradually reopen at only partial capacity in line with the lifting of restrictions.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN (continued)

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.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Company has applied IFRS 16 *'Leases'*, which is effective for annual periods beginning on or after 1 January 2019. The nature and effect of the changes resulting from the adoption of this new accounting standard are described below and the significant accounting policies meeting these requirements are described in the relevant policies.

IFRS 16 was issued in January 2016 and it replaces IAS 17 *'Leases'* and IFRIC 4 *'Determining whether an Arrangement contains a Lease'*. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between an operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

• requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
• does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16; and
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement.

Lease incentives (e.g. rent free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

This expense is presented within 'administrative expenses' in the income statement.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

• the Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
• the Company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review;
• the Company has decided not to exclude leases for which the residual lease term ends within 12 months of the transition date;
• the Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
• the Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Financial impact of initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 1.16%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact on retained earnings as at 1 January 2019

	£'000
Operating lease commitments at 31 December 2018	237
Effect of discounting the above amounts	(3)
Present value of the lease payments due in periods covered by extension options included in the lease term and not previously included in operating lease commitments	2
Lease liabilities recognised at 1 January 2019	236

The Company has recognised £236,000 of right-of-use assets and £236,000 of lease liabilities upon transition to IFRS 16. There was no impact on retained earnings.

2.5 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentation currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'interest receivable or payable'. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 REVENUE (continued)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 REVENUE (continued)

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.

2.7 LEASES

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. This rate is calculated based on the ENGIE group's incremental borrowing rate adjusted in accordance with IFRS 16, taking into account:

a) the economic environment of the Company, and in particular its credit risk;
b) the currency in which the contract is concluded; and
c) the duration of the contract at inception (or the remaining duration for contracts existing upon the initial application of IFRS 16).

The methodology applied to determine the incremental borrowing rate reflects the profile of the lease payments (duration method).

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. ACCOUNTING POLICIES (CONTINUED)

2.7 LEASES (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.13.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

2. ACCOUNTING POLICIES (CONTINUED)

2.7 LEASES (continued)

The Company as a lessee under IAS 17

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.

2.8 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

2.9 FINANCE COSTS

Finance costs are charged to profit or loss 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.

2.10 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. ACCOUNTING POLICIES (CONTINUED)

2.11 TAXATION

The tax for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

2.12 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%

2.13 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.13 TANGIBLE FIXED ASSETS (continued)

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:

Right-of-use assets:	- Over the term of the lease
- land and buildings	
- motor vehicles	
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 profit or loss.

2.14 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.

2.15 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.

2.16 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.

2.17 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. ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 FINANCIAL INSTRUMENTS

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

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

Financial assets

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

Debt instruments at amortised cost

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

Impairment of financial assets

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

Financial liabilities

At amortised cost

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

2. ACCOUNTING POLICIES (CONTINUED)

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 £22,000 for the year ended 31 December 2019 *(2018: £16,000)* 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

	2019 £000	2018 £000
Other operating income	366	290
Management fees receivable	3,428	1,952
	3,794	2,242

6. OPERATING PROFIT/(LOSS)

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

	2019 £000	2018 £000
Depreciation of tangible assets	235	187
Amortisation of intangible assets	9	9
Exchange differences	(3)	-
Defined contribution pension cost	672	485
Operating leases - minimum lease payments	-	187

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)*.

7. AUDITOR'S REMUNERATION

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	47	41

8. EMPLOYEES

Staff costs were as follows:

	2019 £000	*As restated 2018 £000*
Wages and salaries	**8,346**	*7,342*
Social security costs	**934**	*822*
Cost of defined contribution scheme	**672**	*485*
Share-based payments	**22**	*16*
	9,974	*8,665*

The staff costs comprise those who have a contract of employment with the Company and do not take into account any recharges made to or from other ENGIE group companies in respect of work undertaken by employees for another entity. The net total of staff costs recharged to other ENGIE group companies amounted to £1,933,000 *(2018: £1,183,000).*

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

	2019 Number	*As restated 2018 Number*
Management, administration and operations	**179**	*164*

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	*2018 £000*
Interest receivable from group undertakings	**225**	*54*

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £000	*2018* *£000*
Interest payable to group undertakings	34	*-*
Interest payable on loans from group undertakings	156	*152*
Interest on lease liabilities	3	*-*
Exchange differences	-	*2*
	193	*154*

11. TAXATION

	2019 £000	*2018* *£000*
CORPORATION TAX		
Current tax on profit/(loss) for the year	159	*(163)*
Adjustments in respect of previous periods	311	*(111)*
TOTAL CURRENT TAX	470	*(274)*
DEFERRED TAX		
Origination and reversal of timing differences	(5)	*18*
Adjustments in respect of previous periods	119	*(51)*
TOTAL DEFERRED TAX	114	*(33)*
TAX ON PROFIT/(LOSS)	584	*(307)*

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX EXPENSE/(CREDIT) 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:

	2019 £000	*2018 £000*
Profit/(loss) before tax	**1,016**	*(760)*
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**193**	*(145)*
EFFECTS OF:		
Expenses not deductible for tax purposes	**2**	*2*
Adjustments in respect of previous periods	**430**	*(162)*
Other timing differences leading to a decrease in taxation	**(5)**	-
Research and development tax credit	**(36)**	-
Changes to tax rates	-	*(2)*
TOTAL TAX EXPENSE/(CREDIT) FOR THE YEAR	**584**	*(307)*

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.

12. INTANGIBLE ASSETS

	Computer software £000
COST	
At 1 January 2019	27
At 31 December 2019	27
AMORTISATION	
At 1 January 2019	14
Charge for the year	9
At 31 December 2019	23
NET BOOK VALUE	
At 31 December 2019	4
At 31 December 2018	*13*

13. TANGIBLE ASSETS

	Right-of-use assets - land and buildings £000	Right-of-use assets - motor vehicles £000	Plant and machinery £000	Fixtures and fittings £000
COST				
At 1 January 2019	-	-	2,232	149
Impact of change in accounting policy	134	102	-	-
At 1 January 2019 (adjusted balance)	134	102	2,232	149
Additions	-	190	-	-
Transfers to other group companies	-	-	(643)	-
Disposals	(20)	(35)	-	-
At 31 December 2019	114	257	1,589	149
DEPRECIATION				
At 1 January 2019	-	-	1,077	135
Charge for the year on owned assets	-	-	48	14
Charge for the year on right-of-use assets	85	85	-	-
Transfers to other group companies	-	-	(48)	-
Disposals	(20)	(35)	-	-
At 31 December 2019	65	50	1,077	149
NET BOOK VALUE				
At 31 December 2019	49	207	512	-
At 31 December 2018	*-*	*-*	*1,155*	*14*

13. TANGIBLE ASSETS (CONTINUED)

	Office equipment £000	Assets under construct-ion £000	Total £000
COST			
At 1 January 2019	693	952	4,026
Impact of change in accounting policy	-	-	236
At 1 January 2019 (adjusted balance)	693	952	4,262
Additions	-	3,714	3,904
Transfers to other group companies	-	-	(643)
Disposals	-	-	(55)
At 31 December 2019	693	4,666	7,468
DEPRECIATION			
At 1 January 2019	690	-	1,902
Charge for the year on owned assets	3	-	65
Charge for the year on right-of-use assets	-	-	170
Transfers to other group companies	-	-	(48)
Disposals	-	-	(55)
At 31 December 2019	693	-	2,034
NET BOOK VALUE			
At 31 December 2019	-	4,666	5,434
At 31 December 2018	*3*	*952*	*2,124*

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 investment is supported by its underlying net assets.

The following was a subsidiary undertaking 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

	2019 **£000**	*2018* *£000*
Trade debtors	**1,205**	*4,486*
Amounts owed by group undertakings	**31,288**	*25,243*
Other debtors	**663**	*376*
Prepayments and accrued income	**3,309**	*4,174*
Tax recoverable	**370**	*195*
	36,835	*34,474*

Included in amounts owed by group undertakings is a balance of £nil *(2018: £8,515,000)* held in a group cash pool arrangement, which is available on demand.

16. CREDITORS: Amounts falling due within one year

	2019 £000	*2018* *£000*
Trade creditors	**2,616**	*2,311*
Amounts owed to group undertakings	**22,058**	*19,941*
Group relief payable to group undertakings	**290**	*117*
Other taxation and social security	**383**	*576*
Lease liabilities	**118**	*-*
Other creditors	**186**	*61*
Accruals and deferred income	**2,923**	*672*
	28,574	*23,678*

Amounts owed to group undertakings are unsecured and interest free.

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

	2019 £000	*2018* *£000*
Amounts owed to group undertakings	**8,500**	*8,500*
Lease liabilities	**137**	*-*
	8,637	*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 *(2018: £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:

	2019 £000	*2018* *£000*
AMOUNTS FALLING DUE 2-5 YEARS		
Amounts owed to group undertakings	**8,500**	*8,500*

19. LEASES

Company as a lessee

The Company has lease contracts for buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 3 and 10 years, whilst leases of motor vehicles generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

Lease liabilities are due as follows:

	2019 £000
Not later than one year	118
Between one year and five years	137
	255

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £000
Interest expense on lease liabilities	3

The cash outflows in respect of lease payments for the year ended 31 December 2019 amounted to £172,000.

The information in respect of the right-of-use assets has been included in note 13.

20. FINANCIAL INSTRUMENTS

	2019 £000	*2018 £000*
FINANCIAL ASSETS		
Financial assets measured at amortised cost	**33,961**	*32,131*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(36,285)**	*(31,490)*

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by 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, lease liabilities, other creditors and accruals.

21. DEFERRED TAXATION

	2019 £000	*2018 £000*
At beginning of year	**(8)**	*(41)*
(Charged)/credited to the income statement	**(114)**	*33*
AT END OF YEAR	**(122)**	*(8)*

The provision for deferred taxation is made up as follows:

	2019 £000	*2018 £000*
Accelerated capital allowances	**(141)**	*(18)*
Short-term timing differences	**19**	*10*
	(122)	*(8)*

22. CALLED UP SHARE CAPITAL

	2019 £000	*2018* *£000*
Allotted, called up and fully paid		
550,000 *(2018: 550,000)* Ordinary shares of £1.00 each	**550**	*550*

23. 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 profits and losses less any distributions of dividends.

24. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £672,000 *(2018: £485,000)*. There were outstanding contributions totalling £61,000 *(2018: £49,000)* payable to the scheme at the year end, which are included within other creditors.

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 **£000**	*2018* *£000*
Land and buildings		
Not later than 1 year	-	*86*
Later than 1 year and not later than 5 years	-	*50*
	-	*136*

	2019 **£000**	*2018* *£000*
Plant and machinery		
Not later than 1 year	-	*62*
Later than 1 year and not later than 5 years	-	*39*
	-	*101*

There are no operating leases in the current financial year due to the adoption of IFRS 16. The cumulative catch up method has been used to adopt the new accounting standard, meaning the comparative figures have not been restated on the adoption of IFRS 16.

26. 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 the 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.

27. 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.