Registered number: 01506399

ENGIE URBAN ENERGY LIMITED (FORMERLY COFELY DISTRICT ENERGY LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

ENGIE URBAN ENERGY LIMITED (FORMERLY COFELY DISTRICT ENERGY LIMITED)

COMPANY INFORMATION

DIRECTORS	S Pinnell P Rawson
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 AUDITORS	Ernst & Young LLP Citygate St James' Boulevard Newcastle-upon-Tyne NE1 4JD

ENGIE URBAN ENERGY LIMITED (FORMERLY COFELY DISTRICT ENERGY LIMITED)

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The directors present their stratgic report for the year ended 31 December 2015.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of ENGIE Urban Energy Limited (formerly Cofely District Energy Limited) ("the company") is the provision of heating and energy services.

The company changed its name from Cofely District Energy Limited to ENGIE Urban Energy Limited on 29 February 2016.

During the year the company transitioned from previously extant UK GAAP to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, ENGIE Urban Energy Group Limited (formerly Cofely District Energy Group Limited), was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 26 to these financial statements.

Turnover for the year under review was £13,918,000 *(2014: £14,491,000)* and the profit before tax for the year under review was £368,000 *(2014: loss of £3,306,000)*.

Turnover and underlying margin during the year were in line with the expectations and growth within the scheme, however the result in the prior year was adversely affected by accounting adjustments during the prior year that have not recurred.

The key objective for 2016 remains the expansion of the core activities of the company, as well as growth in the group by acquisition as opportunities arise to acquire and operate existing schemes, resulting in additional services to fellow group members.

PRINCIPAL RISKS AND UNCERTAINTIES

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

External risks

The company continuously 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 their systems.

FINANCIAL KEY PERFORMANCE INDICATORS

The company has participated in a review of key performance indicators relevant to the company's performance and prospects. These are as follows:

Turnover

The company's turnover for the year totals £13,918,000 *(2014: £14,491,000)*, a decrease of £573,000 (4%) on the previous year.

Profit before tax

The company's profit before tax for the year totals £368,000 *(2014: loss of £3,306,000)*, an increase of £3,674,000 (111%) on the previous year.

Net assets

The company's net assets at the year end stand at £5,461,000 *(2014: £5,062,000)*, an increase of £399,000 (8%) on the previous year. This increase is a result of the company's profit for the financial year and the share-based payments of £11,000.

GOING CONCERN

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

This report was approved by the Board 7 October 2016 and signed on its behalf.

S Pinnell
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £388,000 *(2014: loss £2,698,000).*

The directors do not recommend the payment of a dividend for the year ended 31 December 2015 *(2014: £nil).*

DIRECTORS

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

S Pinnell (appointed 1 January 2016)
P Rawson
R Blumberger (resigned 31 January 2016)

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 on-going basis. The company's activities do not expose it to any material price risk, interest rate cash flow risk or foreign exchange risk. Due 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 change 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 risk history 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.

Liquidity risk

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

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Company officers and duly appointed delegates thereof, are indemnified by the ENGIE global directors and officers policy ("the policy") in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. This qualifying third party indemnity provision was in force throughout the year and remains in force as at the date of approving these financial statements.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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 auditors are aware of that information.

This report was approved by the Board on 7 October 2016 and signed on its behalf.

S Pinnell
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

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 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

We have audited the financial statements of ENGIE Urban Energy Limited for the year ended 31 December 2015 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGIE URBAN ENERGY LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ernst + Young LLP

Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
14 October 2016

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	*2014* *£000*
Turnover	4	**13,918**	*14,491*
Cost of sales		**(13,242)**	*(12,931)*
Gross profit		**676**	*1,560*
Administrative expenses		**(2,301)**	*(6,786)*
Exceptional administrative income	11	**636**	*-*
Other operating income	5	**1,777**	*2,341*
Operating profit/(loss)	6	**788**	*(2,885)*
Interest payable and similar charges	9	**(420)**	*(421)*
Profit/(loss) on ordinary activities before tax		**368**	*(3,306)*
Tax on profit/(loss) on ordinary activities	10	**20**	*608*
Profit/(loss) for the financial year		**388**	*(2,698)*

There were no recognised gains and losses for 2015 or 2014 other than those included in the income statement and therefore no statement of comprehensive income has been presented.

The notes on pages 11 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £000	*2014 £000*
Fixed assets			
Tangible assets	12	**1,401**	*1,517*
Investments	13	**-**	*-*
		1,401	*1,517*
Current assets			
Stocks	14	**4**	*-*
Debtors: amounts falling due within one year	15	**32,652**	*27,243*
Cash at bank and in hand	16	**73**	*1,474*
		32,729	*28,717*
Creditors: amounts falling due within one year	17	**(28,518)**	*(13,410)*
Net current assets		**4,211**	*15,307*
Total assets less current liabilities		**5,612**	*16,824*
Creditors: amounts falling due after more than one year	18	**-**	*(11,643)*
Provisions for liabilities			
Deferred taxation	21	**(151)**	*(119)*
Net assets		**5,461**	*5,062*
Capital and reserves			
Called up share capital	22	**550**	*550*
Capital redemption reserve		**1,509**	*1,509*
Profit and loss account		**3,402**	*3,003*
Total equity		**5,461**	*5,062*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 7 October 2016.

S Pinnell
Director

The notes on pages 11 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2015	550	1,509	3,003	5,062
Comprehensive income for the year				
Profit for the financial year	-	-	388	388
Total comprehensive income for the year	-	-	388	388
Share-based payments	-	-	11	11
At 31 December 2015	550	1,509	3,402	5,461

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2014	550	1,509	5,701	7,760
Comprehensive loss for the year				
Loss for the financial year	-	-	(2,698)	(2,698)
Total comprehensive loss for the year	-	-	(2,698)	(2,698)
At 31 December 2014	550	1,509	3,003	5,062

The notes on pages 11 to 29 form part of these financial statements.

1. GENERAL INFORMATION

The financial statements of ENGIE Urban Energy Limited (formerly Cofely District Energy Limited) for the year ended 31 December 2015 were authorised for issue by the Board of directors on 7 October 2016 2016 and the statement of financial position was signed on the Board's behalf by S Pinnell.

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, 16 Rue de la Ville l'Eveque, 75383 Paris, Cedex 08, France.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in note 26.

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.

First time application of FRS 100 and FRS 101

In the current year the company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the company to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

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 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;
- 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 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Going concern

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

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are *provided in accordance with the stage of completion of the contract when all of the following* conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Connection charges in line with the ENGIE group accounting policies are recognised as turnover using the percentage of completion method as the connection is made. Expenditure relating to the connection is expensed as incurred to match revenue with expenses. All heating and maintenance charges are recognised in line with the accruals concept.

2. ACCOUNTING POLICIES (continued)

2.5 Long-term contracts

In respect of long-term contracts, the company enters into long-term contracts when connecting new customers to the heat and electricity supply facility.

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2.6 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

Plant and machinery	- 15% per annum on a reducing balance basis
Fixtures and fittings	- at appropriate rates varying from 15% to 33.3%
Office equipment	- 33.3%

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 within 'other operating income' in the income statement.

2.7 Valuation of investments

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

2. ACCOUNTING POLICIES (continued)

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted averagebasis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 Debtors

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

2.10 Cash and cash equivalents

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

2. ACCOUNTING POLICIES (continued)

2.11 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

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the statement of financial position.

2.12 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. ACCOUNTING POLICIES (continued)

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational 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 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income'.

2.14 Finance costs

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

2. ACCOUNTING POLICIES (continued)

2.15 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with fair value of goods and services received.

The share-based payment charge of £11,000 for the year ended 31 December 2015 *(2014: £18,000)* is not deemed to be material for further disclosure in these financial statements.

2.16 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.17 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 payments 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.

2.18 Borrowing costs

All borrowing costs are recognised in the income statement in the year in which they are incurred.

2. ACCOUNTING POLICIES (continued)

2.19 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a change 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 charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

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

The preparation of financial statements requires management to make judgements, 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 turnover and costs during the year. However, the nature of estimation means the actual outcomes could differ from those estimates.

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Connection charges in line with the ENGIE group accounting policies are recognised as turnover using the percentage of completion method as the connection is made. Expenditure relating to the connection is expensed as incurred to match revenue with expenses. All heating and maintenance charges are recognised in line with the accruals concept.

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Exceptional items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as exceptional. Details of items categorised as exceptional are outlined in note 11.

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 judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

Tangible fixed assets

The annual depreciation charge is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values of the assets are re-assessed annually, in light of ongoing technological developments and the company's strategic plans.

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

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 21.

4. ANALYSIS OF 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

	2015	*2014*
	£000	*£000*
Management fees receivable	**1,777**	*2,341*

6. OPERATING PROFIT/(LOSS)

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

	2015	*2014*
	£000	*£000*
Depreciation of tangible assets	**117**	*117*
Exchange differences	**-**	*1*
Defined contribution pension cost	**226**	*230*
Operating leases - minimum lease payments	**257**	*343*

All directors' remuneration is paid by a fellow group undertaking in respect of their services to group companies. The directors' services to the company do not occupy a significant amount of time and consequently the directors do not feel that they have received any remuneration for their incidental services to this company for the year *(2014: £nil).*

7. AUDITORS' REMUNERATION

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

	2015 £000	*2014 £000*
Fees for the audit of the company	32	*32*

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

8. EMPLOYEES

Staff costs were as follows:

	2015 £000	*2014 £000*
Wages and salaries	2,936	*3,353*
Social security costs	517	*534*
Cost of defined contribution scheme	226	*230*
Share-based payments	11	*18*
	3,690	*4,135*

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

	2015 No.	*2014 No.*
Operations and administrative staff	110	*115*

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	*2014 £000*
Bank interest payable	-	*1*
Loans from group undertakings	420	*420*
	420	*421*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2015 **£000**	*2014* *£000*
CORPORATION TAX		
Current tax on profit/(loss) for the year	**(56)**	*(603)*
Adjustments in respect of previous periods	**4**	*(3)*
TOTAL CURRENT TAX	**(52)**	*(606)*
DEFERRED TAX		
Origination and reversal of timing differences	**5**	*(2)*
Adjustments in respect of previous periods	**27**	*-*
TOTAL DEFERRED TAX	**32**	*(2)*
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	**(20)**	*(608)*

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is lower than *(2014: lower than)* the standard rate of corporation tax in the UK of 20.25% *(2014: 21.50%)*. The differences are explained below:

	2015 **£000**	*2014* *£000*
Profit/(loss) on ordinary activities before tax	**368**	*(3,306)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	**75**	*(711)*
EFFECTS OF:		
Expenses not deductible for tax purposes	**3**	*106*
Adjustments to tax charge in respect of previous periods	**31**	*(3)*
Other tax relating to exceptional items	**(129)**	*-*
TOTAL TAX CREDIT FOR THE YEAR	**(20)**	*(608)*

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25%.

In the Summer Budget on 8 July 2015, the Chancellor of the Exchequer announced further reductions in the rate of corporation tax from 20% to 19% effective from 1 April 2017 and from 19% to 18% effective from 1 April 2020. These changes were substantively enacted on 18 November 2015 as part of the Finance Act 2015. This will reduce the company's tax charges accordingly.

The March 2016 Budget announced that the rate will further reduce to 17% by 1 April 2020, however as this change has not been substantively enacted at the balance sheet date, the substantively enacted rates of 20%, 19% and 18% therefore apply to the deferred tax balances arising at 31 December 2015, depending on when the deferred tax is expected to unwind.

11. EXCEPTIONAL ITEMS

	2015	*2014*
	£000	*£000*
Write-back of intercompany amounts	**(636)**	-

12. TANGIBLE ASSETS

	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000	Total £000
COST				
At 1 January 2015	**1,786**	**281**	**726**	**2,793**
Additions	**1**	**-**	**-**	**1**
At 31 December 2015	**1,787**	**281**	**726**	**2,794**
DEPRECIATION				
At 1 January 2015	**505**	**203**	**568**	**1,276**
Charge for the year	**80**	**7**	**30**	**117**
At 31 December 2015	**585**	**210**	**598**	**1,393**
NET BOOK VALUE				
At 31 December 2015	**1,202**	**71**	**128**	**1,401**
At 31 December 2014	*1,281*	*78*	*158*	*1,517*

13. FIXED ASSET INVESTMENTS

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

The directors believe that the carrying value of the investments is supported by their underlying net assets.

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

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

The company was incorporated in England and Wales to provide design engineering services

14. STOCKS

	2015 £000	*2014 £000*
Raw materials and consumables	4	*-*

Replacement costs of stock

The difference between purchase price or production cost of stocks and their replacement cost is not material.

15. DEBTORS

	2015 £000	*2014 £000*
Trade debtors	172	*578*
Amounts owed by group undertakings	30,102	*22,608*
Other debtors	1,058	*476*
Prepayments and accrued income	1,320	*3,581*
	32,652	*27,243*

16. CASH AND CASH EQUIVALENTS

	2015 £000	*2014 £000*
Cash at bank and in hand	73	*1,474*

17. CREDITORS: Amounts falling due within one year

	2015 £000	*2014 £000*
Trade creditors	**1,955**	*1,043*
Amounts owed to group undertakings	**25,858**	*8,192*
Group relief payable to group undertakings	**2**	*54*
Other taxation and social security	**111**	*252*
Other creditors	**104**	*42*
Accruals and deferred income	**488**	*3,827*
	28,518	*13,410*

Included within amounts owed to group undertakings, is an intercompany balance with ENGIE Treasury Management S.A.R.L of £11,643,000 *(2014: £nil)*, which is unsecured and accrues interest at an effective rate of 3.66% per annum.

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

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

	2015 £000	*2014 £000*
Amounts owed to group undertakings	**-**	*11,643*

Included within amounts owed to group undertakings, is an intercompany balance with ENGIE Treasury Management S.A.R.L of £nil *(2014: £11,643,000)*, which is unsecured and accrues interest at an effective rate of 3.66% per annum.

19. LOANS

Analysis of the maturity of loans is given below:

	2015 £000	*2014 £000*
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed to group undertakings	**11,643**	*-*
AMOUNTS FALLING DUE 1-2 YEARS		
Amounts owed to group undertakings	**-**	*11,643*

20. FINANCIAL INSTRUMENTS

	2015 £000	*2014 £000*
FINANCIAL ASSETS		
Cash and receivables	**31,976**	*28,250*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(28,456)**	*(24,445)*

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

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

21. DEFERRED TAXATION

	2015 £000	2014 £000
At beginning of year	**(119)**	**(121)**
(Charged)/credited to the income statement	**(32)**	**2**
AT END OF YEAR	**(151)**	**(119)**

The provision for deferred taxation is made up as follows:

	2015 £000	*2014 £000*
Accelerated capital allowances	**(151)**	*(135)*
Short-term timing differences	**-**	*16*
	(151)	*(119)*

22. CALLED UP SHARE CAPITAL

	2015 £000	*2014 £000*
Allotted, called up and fully paid		
550,000 Ordinary shares of £1 each	**550**	*550*

23. PENSION COMMITMENTS

The cost of contributions to the defined contribution scheme amounts to £226,000 *(2014: £230,000)*. There were outstanding contributions totalling £125,000 *(2014: £79,000)* payable to the scheme at the year end, which are included within other creditors.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	*As restated 2014 £000*
Land and buildings		
Not later than 1 year	**75**	*111*
Later than 1 year and not later than 5 years	**71**	*108*
TOTAL	**146**	*219*

	2015 £000	*As restated 2014 £000*
Plant and machinery		
Not later than 1 year	**82**	*107*
Later than 1 year and not later than 5 years	**168**	*36*
TOTAL	**250**	*143*

25. CONTROLLING PARTY

The immediate parent company of ENGIE Urban Energy Limited (formerly Cofely District Energy Limited) is ENGIE Urban Energy Group Limited (formerly Cofely District 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 (formerly Cofely District 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, 16 Rue de la Ville l'Eveque, 75383 Paris, Cedex 08, France.

26. FIRST TIME ADOPTION OF FRS 101

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared individual financial statements which comply with FRS 101 (applicable for accounting periods beginning on or after 1 January 2015) and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

The directors have assessed the impact of the transition to FRS 101 on the opening balance sheet and have concluded no restatements are required.

On transition to FRS 101, the company has applied the reporting requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".