

Registered number: 03151861

ENGIE UK HOLDING (SERVICES) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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ENGIE UK HOLDING (SERVICES) LIMITED

COMPANY INFORMATION

| | |
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| DIRECTORS | W Petrie S Pinnell |
| COMPANY SECRETARY | S Gregory |
| REGISTERED NUMBER | 03151861 |
| 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 UK HOLDING (SERVICES) LIMITED

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ENGIE UK HOLDING (SERVICES) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2017.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of ENGIE UK Holding (Services) Limited ("the company") is that of a holding company.

The company has not traded during the year or prior year and the only amounts included in the income statement relate to the company's activity as a holding company.

The loss before tax for the year under review was £0.2m (2016: £19.8m). The loss principally arises from interest payable on amounts owed to group undertakings. The company has not received any dividends during the year.

On 30 April 2017 the company's subsidiary undertaking, ENGIE Services Holding UK Limited, completed the acquisition of ENGIE Regeneration Holdings Limited (formerly Keepmoat Regeneration Holdings Limited).

ENGIE Regeneration Holdings Limited (formerly Keepmoat Regeneration Holdings Limited) is a leading provider of regeneration services specialising in the design, refurbishment and upgrade of buildings and places, helping to transform communities and strengthen local economies, which is closely aligned to ENGIE's energy and services strategy in the UK, expanding its service offering and energy efficiency capabilities. This acquisition will allow ENGIE to offer a complementary range of services to local governments, cities and businesses across the UK and strengthen its existing network of local authority partnerships.

On 24 July 2017 the company conducted a rights issue comprising the issue of two new ordinary shares of £1 each for a total subscription price of £333,000,000. The two new shares rank *pari passu* in all respects with the existing issued ordinary shares of £1 each.

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:

Investment risk

The company acts as a holding company of investments. The main risk facing the company is a deterioration in the recoverable amount of its investments in subsidiary undertakings, which reflects their underlying performance and future prospects. The directors assess the recoverable amounts of investments annually or when indicators of impairment exist, by performing an impairment test, comparing for each investment the recoverable amount with its carrying value. Only if there is an impairment loss is the carrying value reduced to the recoverable amount.

External risks

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

ENGIE UK HOLDING (SERVICES) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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 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.

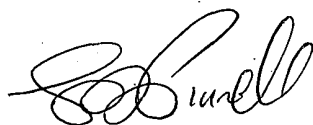
FINANCIAL KEY PERFORMANCE INDICATORS

Due to the company's activities, being that of a holding company, financial and other key performance indicators are not considered necessary for an understanding of the development, performance or position of the company. The ENGIE group manages its business and measures the delivery of its strategic objectives through the application of KPIs at operating business, business unit and group level.

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 on 4 April 2018 and signed on its behalf.



S Pinnell
Director

ENGIE UK HOLDING (SERVICES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £198,000 (2016: loss £19,786,000).

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

DIRECTORS

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

W Petrie
S Pinnell

FUTURE DEVELOPMENTS

The directors expect there to be no changes in the future activities or prospects of the company. The company will continue to act as a holding company for its subsidiary undertakings.

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, 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 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. 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 has no significant exposure to liquidity risk, as the financial liabilities of the company are 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.

During the year the company received additional equity funding from the group of £333,000,000, by way of a rights issue. The majority of the funding was applied to the acquisition of ENGIE Regeneration Holdings Limited (formerly Keepmoat Regeneration Holdings Limited).

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 approval of these financial statements.

ENGIE UK HOLDING (SERVICES) LIMITED

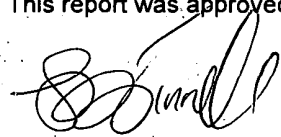
**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 the director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

This report was approved by the Board on 4 April 2018 and signed on its behalf.



S Pinnell
Director

ENGIE UK HOLDING (SERVICES) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 UK HOLDING (SERVICES) LIMITED

Opinion

We have audited the financial statements of ENGIE UK Holding (Services) Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, 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 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's (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.

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.

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 UK HOLDING (SERVICES) 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGIE UK HOLDING (SERVICES)
LIMITED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
6 April 2018

ENGIE UK HOLDING (SERVICES) LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 2017 £000 | 2016 £000 |
|--|------|--------------|-----------------|
| Administrative income | | 89 | 751 |
| Exceptional administrative expenses | 8 | - | (20,206) |
| Operating profit/(loss) | 4 | 89 | (19,455) |
| Interest receivable and similar income | 5 | 37 | 83 |
| Interest payable and similar expenses | 6 | (392) | (413) |
| Loss before tax | | (266) | (19,785) |
| Tax on loss | 7 | 68 | (1) |
| Loss for the financial year | | (198) | (19,786) |

There were no recognised gains and losses for 2017 or 2016 other than those included in the income statement and therefore no statement of comprehensive income has been presented.

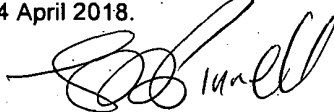
The notes on pages 12 to 26 form part of these financial statements.

ENGIE UK HOLDING (SERVICES) LIMITED
REGISTERED NUMBER: 03151861

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | Note | 2017 £000 | 2016 £000 |
|---|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Investments | 9 | 462,764 | 129,764 |
| | | <u>462,764</u> | <u>129,764</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 10 | 6,768 | 6,663 |
| Cash at bank and in hand | 11 | 250 | 628 |
| | | <u>7,018</u> | <u>7,291</u> |
| Creditors: amounts falling due within one year | 12 | (19,463) | (19,538) |
| Net current liabilities | | <u>(12,445)</u> | <u>(12,247)</u> |
| Total assets less current liabilities | | <u>450,319</u> | <u>117,517</u> |
| Creditors: amounts falling due after more than one year | 13 | (12,000) | (12,000) |
| | | <u>438,319</u> | <u>105,517</u> |
| Net assets | | <u><u>438,319</u></u> | <u><u>105,517</u></u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 124,230 | 124,230 |
| Share premium account | 18 | 402,570 | 69,570 |
| Profit and loss account | 18 | (88,481) | (88,283) |
| Total equity | | <u><u>438,319</u></u> | <u><u>105,517</u></u> |

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 4 April 2018.


S Pinnell
 Director

The notes on pages 12 to 26 form part of these financial statements.

ENGIE UK HOLDING (SERVICES) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|-------------------------------------|------------------------------------|----------------------|
| At 1 January 2016 | 124,230 | 69,570 | (68,497) | 125,303 |
| Comprehensive loss for the year | | | | |
| Loss for the financial year | - | - | (19,786) | (19,786) |
| Total comprehensive loss for the year | - | - | (19,786) | (19,786) |
| At 1 January 2017 | 124,230 | 69,570 | (88,283) | 105,517 |
| Comprehensive loss for the year | | | | |
| Loss for the financial year | - | - | (198) | (198) |
| Total comprehensive loss for the year | - | - | (198) | (198) |
| Shares issued during the year | - | 333,000 | - | 333,000 |
| At 31 December 2017 | 124,230 | 402,570 | (88,481) | 438,319 |

The notes on pages 12 to 26 form part of these financial statements.

ENGIE UK HOLDING (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The financial statements of ENGIE UK Holding (Services) Limited for the year ended 31 December 2017 were authorised for issue by the Board of directors on 4 April 2018 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, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense Cedex, 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:

ENGIE UK HOLDING (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Going concern

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

2.4 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.

2.5 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.

2.6 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.

ENGIE UK HOLDING (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 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.

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 Interest income

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

2.11 Borrowing costs

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

2.12 Taxation

The tax for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge 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 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:

1. 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
2. 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.

2.13 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.

ENGIE UK HOLDING (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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:

Carrying value of investments

The carrying values of investments and the recoverability of intercompany balances is dependent, to some extent, on the future profits of the relevant group companies. The directors have performed an assessment of the recoverability of both investments and intercompany balances in line with the company's accounting policy, in light of future projected profitability, which requires the use of estimates. The directors have concluded that the carrying value of investments is supported and that all amounts are fully recoverable.

4. OPERATING PROFIT/(LOSS)

The company has no employees other than the directors (2016: none). All directors' remuneration is paid by a fellow group undertaking in respect of their services to group companies. The directors' services to the company do not occupy a significant amount of time and consequently the directors do not feel that they have received any remuneration for their incidental services to this company for the year (2016: £nil).

The fees payable to the company's auditors for the audit of the annual financial statements of the company, amounting to £6,000 (2016: £6,000) have been borne by a fellow group undertaking, ENGIE Services Limited.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Interest receivable from group companies | 37 | 83 |

6. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Interest payable on loans from group undertakings | 392 | 413 |

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. TAXATION

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| CORPORATION TAX | | |
| Current tax on loss for the year | (73) | (2) |
| Adjustments in respect of previous periods | 5 | 4 |
| TOTAL CURRENT TAX | <u>(68)</u> | <u>2</u> |
| DEFERRED TAX | | |
| Origination and reversal of timing differences | 4 | 4 |
| Changes to tax rates | - | (8) |
| Adjustments in respect of previous periods | (4) | 3 |
| TOTAL DEFERRED TAX | <u>-</u> | <u>(1)</u> |
| TAX ON LOSS | <u>(68)</u> | <u>1</u> |

FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2016: *lower than*) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

| | 2017 £000 | 2016 £000 |
|--|--------------|-----------------|
| Loss before tax | <u>(266)</u> | <u>(19,785)</u> |
| Loss multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%) | (51) | (3,957) |
| EFFECTS OF: | | |
| Expenses not deductible for tax purposes | (17) | 4,041 |
| Adjustments to tax charge in respect of previous periods | 1 | 7 |
| Non-taxable income | - | (82) |
| Changes to tax rates | (1) | (8) |
| TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR | <u>(68)</u> | <u>1</u> |

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. This will reduce the company's tax charges accordingly.

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

8. EXCEPTIONAL ITEMS

| | 2017 £000 | 2016 £000 |
|-------------------------------------|----------------------|----------------------|
| Impairment of intercompany balances | - | 20,206 |

The results for 2016 include an exceptional charge of £20,206,000 for the impairment of four intercompany balances owed to the company, following guarantees provided to other group companies in respect of these balances.

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. FIXED ASSET INVESTMENTS

| | Investments in subsidiary companies £000 |
|-----------------------|---|
| COST | |
| At 1 January 2017 | 160,746 |
| Additions | 333,000 |
| At 31 December 2017 | 493,746 |
| IMPAIRMENT | |
| At 1 January 2017 | 30,982 |
| At 31 December 2017 | 30,982 |
| NET BOOK VALUE | |
| At 31 December 2017 | 462,764 |
| At 31 December 2016 | 129,764 |

On 30 April 2017 the company invested a further £333m in its subsidiary undertaking, ENGIE Services Holding UK Limited, in order to fund its acquisition of ENGIE Regeneration Holdings Limited (formerly Keepmoat Regeneration Holdings Limited). This investment was funded by the issue of new equity in the company to its immediate parent undertaking, ENGIE Energy Services International S.A.

The directors believe that the carrying value of the investments is supported by their underlying net assets and the future forecast profits of the subsidiary companies.

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. FIXED ASSET INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

| Name | Class of shares | Holding |
|-------------------------------------|------------------------|----------------|
| Axima FM Holding Limited | Ordinary | 100% |
| Industrial Energy Services Limited | Ordinary | 100% |
| ENGIE Services Holding UK Limited | Ordinary | 100% |
| East London Energy Limited | Ordinary | 100% |
| | Redeemable preference | 100% |
| Cofely Engineering Services Limited | Ordinary | 100% |
| Fabricom (UK) Limited | Ordinary | 100% |
| Fabricom Oil, Gas and Power Limited | Ordinary | 100% |

The subsidiary undertakings above were all directly owned by the company. A full list of subsidiaries, including those indirectly owned, has been included in note 20.

10. DEBTORS

| | 2017 | 2016 |
|--|--------------|--------------|
| | £000 | £000 |
| Amounts owed by group undertakings | 6,282 | 6,245 |
| Group relief receivable owed by group undertakings | 467 | 399 |
| Deferred taxation | 19 | 19 |
| | 6,768 | 6,663 |

11. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|--------------------------|-------------|-------------|
| | £000 | £000 |
| Cash at bank and in hand | 250 | 628 |

12. CREDITORS: Amounts falling due within one year

| | 2017 | 2016 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts owed to group undertakings | 19,463 | 19,538 |

Amounts owed to group undertakings are unsecured and interest free.

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

| | 2017 | 2016 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts owed to group undertakings | 12,000 | 12,000 |

Amounts owed to group undertakings consist of an intercompany balance with ENGIE CC of £12,000,000 (2016: £12,000,000), which is unsecured and accrues interest at an effective rate of 3.16% per annum. The loan is repayable as disclosed in the note below.

14. LOANS

Analysis of the maturity of loans is given below:

| | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| | £000 | £000 |
| AMOUNTS FALLING DUE 1-2 YEARS | | |
| Amounts owed to group undertakings | 12,000 | - |
| AMOUNTS FALLING DUE 2-5 YEARS | | |
| Amounts owed to group undertakings | - | 12,000 |

15. FINANCIAL INSTRUMENTS

| | 2017 | 2016 |
|--|-----------------|-----------------|
| | £000 | £000 |
| FINANCIAL ASSETS | | |
| Cash and receivables | 6,999 | 7,272 |
| FINANCIAL LIABILITIES | | |
| Financial liabilities measured at amortised cost | (31,463) | (31,538) |

Financial assets measured at amortised cost comprise cash and cash equivalents, amounts owed by group undertakings and group relief receivable owed by group undertakings.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings.

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. DEFERRED TAXATION

| | 2017 £000 | 2016 £000 |
|----------------------------------|----------------------|----------------------|
| At beginning of year | 19 | 18 |
| Credited to the income statement | - | 1 |
| AT END OF YEAR | 19 | 19 |

The deferred tax asset is made up as follows:

| | 2017 £000 | 2016 £000 |
|---|----------------------|----------------------|
| Depreciation in advance of capital allowances | 19 | 19 |

At the balance sheet date the company has £2,171,000 (2016: £2,171,000) of estimated capital losses carried forward against future capital gains, on which no deferred tax asset has been recognised due to the uncertainty regarding the realisation of this asset.

17. CALLED UP SHARE CAPITAL

| | 2017 £000 | 2016 £000 |
|--|----------------------|----------------------|
| Allotted, called up and fully paid | | |
| 84,230,002 (2016: 84,230,000) Ordinary shares of £1 each | 84,230 | 84,230 |
| 40,000,000 Redeemable Preference shares of £1 each | 40,000 | 40,000 |
| | 124,230 | 124,230 |

On 24 July 2017 2 ordinary shares were issued for cash. The nominal value of these shares was £2 and the consideration received was £333,000,000, with £332,999,998 being the premium paid on the issue of the shares.

ENGIE UK HOLDING (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. CALLED UP SHARE CAPITAL (CONTINUED)

The preference shares have no set redemption date attached and redemption of the preference shares is at the sole discretion of the company. In the case of redemption, the company shall pay, on each preference share redeemed, the amount paid up on that share including any premium.

Shares in the company carry equal rights to dividends and the following voting rights:

- The ordinary shares confer, on each holder of ordinary shares, the right to receive notice of and to attend, speak and vote at all general meetings of the company. Each ordinary share carries one vote per share.
- The preference shares confer, on each holder of such shares, the right to receive notice of and to attend, speak and vote at all general meetings of the company. Each preference share carries one vote per share.

On a return of assets on liquidation, capital reduction or otherwise (other than a conversion, redemption or purchase of shares), the assets of the company remaining after the payment of its liabilities (to the extent that the company is lawfully able to do so) will be applied in the following order of priority:

- Firstly, in paying to the holders of the preference shares a sum per share equal to the nominal amount paid up or credited as paid up thereon or, if there is a shortfall of assets remaining to satisfy the entitlements of holders of preference shares in full, the proceeds will be distributed to the holders of the preference shares in proportion to the amounts due to each such share held.
- Secondly, in paying to the holders of the ordinary shares a sum per share equal to the nominal amount paid up or credited as paid up on such shares.

18. RESERVES

Share premium

The share premium account relates to the amount above nominal value received for shares issued.

Profit and loss account

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

19. CONTROLLING PARTY

The immediate parent company of ENGIE UK Holding (Services) Limited is ENGIE Energy Services International S.A., a company registered in Belgium. The directors regard ENGIE S.A. as the ultimate parent company and controlling party of ENGIE UK Holding (Services) 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, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense Cedex, France.

ENGIE UK HOLDING (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. SUBSIDIARY UNDERTAKINGS

The following comprises a full list of subsidiary undertakings of the company:

| Name | Class of shares | Holding |
|---|-----------------------|---------|
| Axima FM Holding Limited | Ordinary | 100% |
| Industrial Energy Services Limited | Ordinary | 100% |
| ENGIE Services Holding UK Limited | Ordinary | 100% |
| East London Energy Limited | Ordinary | 100% |
| | Redeemable preference | 100% |
| Cofely Engineering Services Limited | Ordinary | 100% |
| Fabricom (UK) Limited | Ordinary | 100% |
| Fabricom Oil, Gas and Power Limited | Ordinary | 100% |
| ENGIE Buildings Limited * | Ordinary | 100% |
| Elyo Falcon Limited * | Ordinary | 100% |
| Axima FM Limited * | Ordinary | 100% |
| ENGIE DE Holding Company Limited * | Ordinary | 100% |
| ENGIE Urban Energy Group Limited * | Ordinary | 100% |
| Leicester District Energy Company Limited * | Ordinary | 100% |
| ENGIE Urban Energy Limited * | Ordinary | 100% |
| Birmingham District Energy Company Limited * | Ordinary | 100% |
| Coventry District Energy Company Limited * | Ordinary | 100% |
| Excel District Energy Company Limited * | Ordinary | 100% |
| Bloomsbury Heat & Power Limited * | Ordinary | 100% |
| The Southampton Geothermal Heating Company Limited * | Ordinary | 100% |
| Gower Street Heat & Power Limited * | Ordinary | 100% |
| Industrielle de Chauffage Enterprise United Kingdom Limited * | Ordinary | 100% |
| ENGIE FM Limited * | Ordinary | 100% |
| Sale PFI Limited * | Ordinary | 100% |
| Cofathec Energy PFI Limited * | Ordinary | 100% |
| Cofathec Energy Limited * | Ordinary | 100% |
| Cofathec Energy Services Limited * | Ordinary | 100% |
| ENGIE Energy Services UK Limited * | Ordinary | 100% |
| Cofathec Heatsave Limited * | Ordinary | 100% |
| Resource Environmental Services Limited * | Ordinary | 100% |
| Cofathec UK Limited * | Ordinary | 100% |
| Deltec Maintenance Company Limited * | Ordinary | 100% |
| Cofathec Facilities Management Limited * | Ordinary | 100% |

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. SUBSIDIARY UNDERTAKINGS (CONTINUED)

| Name | Class of shares | Holding |
|---|------------------------|----------------|
| ENGIE Services Limited * | Ordinary | 100% |
| Power Efficiency Holdings Limited * | Ordinary | 100% |
| Ecova, Inc Limited * | Ordinary | 100% |
| New Start Ventures Limited * | Ordinary | 100% |
| EWP Technical Services Limited * | Ordinary | 100% |
| M.D.P (Engineering) Limited * | Ordinary | 100% |
| The Workplace Partnership Limited * | Ordinary | 51% |
| Colledge Trundle & Hall Limited * | Ordinary | 100% |
| Covion Holdings Limited * | Ordinary | 100% |
| Covion Limited * | Ordinary | 100% |
| Cowest Services Limited * | Ordinary | 51% |
| Qwest Services Limited * | Ordinary | 51% |
| Cheshire Energy Networks Limited * | Ordinary | 51% |
| C3 Resources Ltd * | Ordinary | 100% |
| Fabricom Engineering Design Services Limited * | Ordinary | 100% |
| Fabricom Offshore Services Limited * | Ordinary | 100% |
| Fabricom Janus Neill Limited * | Ordinary | 100% |
| ENGIE Regeneration Holdings Limited (formerly Keepmoat Regeneration Holdings Limited) * | Ordinary | 100% |
| ENGIE Leeds PFI Limited (formerly Keepmoat Leeds PFI Limited) * | Ordinary | 100% |
| ENGIE Regeneration Limited (formerly Keepmoat Regeneration Limited) * | Ordinary | 100% |
| ENGIE Regeneration (Bramall) Limited (formerly Keepmoat Regeneration (Bramall) Limited) * | Ordinary | 100% |
| ENGIE Regeneration (FHM) Limited (formerly Keepmoat Regeneration (FHM) Limited) * | Ordinary | 100% |
| ENGIE Regeneration (Apollo) Limited (formerly Keepmoat Regeneration (Apollo) Limited) * | Ordinary | 100% |
| ENGIE Property Services Limited (formerly Keepmoat Property Services Limited) * | Ordinary | 100% |
| ENGIE In Partnership Limited (formerly Keepmoat In Partnership Limited) * | Ordinary | 100% |
| FWA West Ltd * | Ordinary | 100% |

* These shares are indirectly held by the company.

EWP Technical Services Limited and M.D.P (Engineering) Limited both have a 31 March year end and the companies acquired with ENGIE Regeneration Holdings Limited (formerly Keepmoat Regeneration Holdings Limited) all have a 30 September year end.

ENGIE UK HOLDING (SERVICES) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. SUBSIDIARY UNDERTAKINGS (CONTINUED)

The companies above were all incorporated in England and Wales, with the exception of M.D.P (Engineering) Limited, which was incorporated in Scotland.

The registered office of the company's subsidiary undertakings, unless otherwise stated below, is ENGIE Q3 Office, Quorum Business Park, Benton Lane, Newcastle-upon-Tyne, Tyne and Wear, NE12 8EX.

M.D.P (Engineering) Limited has a registered office in Scotland at Dean House, 24 Ravelston Terrace, Edinburgh, EH4 3TP.

The registered office of Cowest Services Limited and Qwest Services Limited is Wyvern House, The Drumber, Winsford, CW7 1AH.