Registered number: 03810466

ENGIE BUILDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

ENGIE BUILDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	N Lovett W J Petrie S Pinnell
COMPANY SECRETARY	S Gregory
REGISTERED NUMBER	03810466
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 BUILDINGS LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of ENGIE Buildings Limited ("the company") is the provision of facilities management in the United Kingdom and Ireland.

Turnover for the year under review was £77.0m *(2015: £83.9m)* and the profit before tax for the year under review was £8.2m *(2015: £31.6m)*.

Results for the year have been impacted by the full year effect of the loss of two large contracts, which were not renewed, in September 2015, however the directors are encouraged by the performance of the long-term contract portfolio. The company's primary medium-term strategy remains unchanged, to retain and develop long-term relationships and build upon the existing contract base with a commitment to technical excellence, delivered in-house by dedicated people to exceed customer expectations.

To help counter adverse commodity price impacts across the entire ENGIE group, a global cost saving programme was initiated in 2015. Whilst the ENGIE Buildings Limited business has limited exposure to adverse commodity price impacts, the company is a key contributor to the global programme. During the year the business has continued to drive performance through productivity, cost saving and innovative initiatives that have helped to improve the underlying operating income whilst absorbing the impact of the in-year rise in National Living Wage. Further programmes of work have been identified to further drive profitability and limit the impact on further announced changes to UK employment costs.

The directors of the UK group are currently undertaking a strategic review of how they should structure the management of the various activities and customer sectors within the UK to drive innovative and efficient solutions to help deliver against customer needs. The directors envisage the new structure to be in place by the end of 2017 and exciting propositions to come to market in early 2018.

On 30 April 2017 the company's parent undertaking, ENGIE Services Holding UK Limited, completed the acquisition of Keepmoat Regeneration Holdings Limited. 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, which will present opportunities within the market to companies across the ENGIE UK group.

The underlying profit performance of the company is an operating profit excluding exceptional items £7.3m *(2015: £11.5m)*.

The company is showing a strengthening balance sheet with total equity of £3.1m *(2015: deficit of £3.4m)*.

PRINCIPAL RISKS AND UNCERTAINTIES

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

External risks

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

Strategic risks

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

Organisation and management risks

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

Delivery and operational risks

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

Sustainability

The purpose of the company is to improve the lives of the communities and customers it serves, which includes the ability to manage and improve the economic, social and environmental impact that the company has in the communities in which it operates. The company recognises that a successful organisation is one that not only benefits itself but one that can demonstrate how it also benefits society and the environment.

The challenge is not something the company can achieve alone and only with the support of its employees, suppliers, communities and wider stakeholders will the company be able to succeed.

The company's vision is to lead the way in innovative services and sustainable energy solutions for its chosen markets. ENGIE is committed to the responsible growth of its businesses in response to the central challenges of the energy transition, combating climate change and making responsible use of natural resources. Within "Our Future Plan" the company has challenging targets to help continually improve its social and environmental performance. The company is aligned with the international Sustainable Development Goals (SDGs) in helping to tackle the most serious issues facing both people and the planet whilst shaping its long term strategy.

Health, safety and environmental risks

The management of health and safety remains a primary focus for the UK group. This is a distinct responsibility placed on the senior management of the business and this cascades down through the management chain. In 2016, following a serious accident involving a contractor at one of the sites of the UK group, management completely reviewed the occupational health and safety management system to ensure that there were no systemic issues that may have led to the incident happening and were pleased to conclude that there were no issues identified.

In 2016 the UK group achieved a Lost Time Injury Frequency Rate ("LTIFR") of 2.7 which is significantly less than the target of less than 3.3 which was set at the beginning of the year. The UK group has set a target of a LTIFR of less than 3.1 in 2017, which is in line with ENGIE's overall target of a LTIFR of less than 3.0 by 2020.

The UK group relaunched its Zero Harm programme, which is much enhanced on what existed previously and is underpinned by six fundamental principles to guide the implementation. This programme is aimed at all employees of the business and is focused on changing attitudes towards health and safety in order to drive positive behaviours. It is about demonstrating positive safety behaviour at all times thereby ensuring that all employees go home unharmed every day.

The engagement and management of contractors remains a high priority for the UK group, as this is particularly challenging by virtue of the geographic spread of the company's operations. The UK group has completely revised and relaunched its operational procedures for contractor engagement and management and these consider contractor management on three levels, being onboarding, setting to work and audit of performance. In addition the UK group is working with Reset to assist with the management of the onboarding process and also the management of the competences of those contractor employees working on the UK group's behalf.

FINANCIAL KEY PERFORMANCE INDICATORS

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

Turnover

The company's turnover for the year totals £77.0m *(2015: £83.9m)*, a decrease of £6.9m (8%) on the previous period.

Operating profit excluding exceptional items

The company's operating profit excluding exceptional items for the year totals £7.3m *(2015: £11.5m)*, a decrease of £4.2m (37%) on the previous year.

Net assets

The company's net assets at the year end stand at £3.1m *(2015: net liabilities of £3.4m)*, an increase of £6.5m (191%) on the previous period. This increase is a result of the company's profit for the financial year.

OTHER KEY PERFORMANCE INDICATORS

The company also reviews the following other key performance indicators relevant to the company's performance and prospects, however this is managed on a divisional basis across the UK group and therefore the figures given are in respect of the division of which this company is a member:

Safety

The company's Lost Time Injury Frequency Rate ("LTIFR") stands at 3.05 *(2015: 4.16)* lost time injury accidents per one million hours worked.

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 27 September 2017 and signed on its behalf.

S Pinnell
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £6,527,000 *(2015: £25,216,000)*.

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 *(2015: £nil)*.

DIRECTORS

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

N Lovett
W J Petrie
S Pinnell (appointed 1 January 2016)
R Blumberger (resigned 31 January 2016)

FUTURE DEVELOPMENTS

The directors are confident that the company will be able to build on its current portfolio of contracts and grow the business with both existing and new clients in the future.

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. 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 rating are offered credit terms. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on amounts owed by group undertakings is not considered to be significant, given the group's strong credit rating.

Liquidity risk

The company is exposed to liquidity risk on its financial liabilities, including trade and other creditors 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.

EMPLOYEE INVOLVEMENT

The company places considerable value on the involvement of its employees and systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. This is achieved through regular meetings between management and elected employee representatives, company-wide web presentations, intranet news articles and mails to employees' home addresses. Employee involvement in the company is encouraged through regular employee surveys. Achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a role in improving its performance. The company also encourages the involvement of employees by means of the Link Employee Share Purchase Plan.

DISABLED EMPLOYEES

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

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.

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 27 September 2017 and signed on its behalf.

S Pinnell
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 BUILDINGS LIMITED

We have audited the financial statements of ENGIE Buildings Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25. 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 FRS 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 7, 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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, 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.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENGIE BUILDINGS LIMITED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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
29 September 2017

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	*2015 £000*
Turnover	4	**76,965**	*83,851*
Cost of sales		**(49,823)**	*(47,611)*
Gross profit		**27,142**	*36,240*
Administrative expenses		**(19,840)**	*(24,773)*
Exceptional administrative expenses	12	**1,000**	*20,696*
Operating profit	5	**8,302**	*32,163*
Interest receivable and similar income	9	**77**	*142*
Interest payable and similar expenses	10	**(220)**	*(743)*
Profit before tax		**8,159**	*31,562*
Tax on profit	11	**(1,632)**	*(6,346)*
Profit for the financial year		**6,527**	*25,216*

There were no recognised gains and losses for 2016 or 2015 other than those included in the income statement and therefore no statement of comprehensive income has been presented.

The notes on pages 13 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £000	*2015 £000*
Fixed assets			
Tangible assets	13	**67**	*93*
		67	*93*
Current assets			
Stocks	14	**90**	-
Debtors: amounts falling due within one year	15	**75,882**	*56,680*
Cash at bank and in hand	16	**843**	*735*
		76,815	*57,415*
Creditors: amounts falling due within one year	17	**(23,804)**	*(19,823)*
Net current assets		**53,011**	*37,592*
Total assets less current liabilities		**53,078**	*37,685*
Creditors: amounts falling due after more than one year	18	**(44,322)**	*(30,077)*
		8,756	*7,608*
Provisions for liabilities			
Other provisions	21	**(5,607)**	*(10,986)*
Net assets/(liabilities)		**3,149**	*(3,378)*
Capital and reserves			
Called up share capital	22	**-**	-
Profit and loss account		**3,149**	*(3,378)*
Total equity/(deficit)		**3,149**	*(3,378)*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 September 2017.

S Pinnell
Director

The notes on pages 13 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total (deficit)/ equity
	£000	£000	£000
At 1 January 2015	-	(28,594)	(28,594)
Comprehensive income for the year			
Profit for the financial year	-	25,216	25,216
Total comprehensive income for the year	-	25,216	25,216
At 1 January 2016	-	(3,378)	(3,378)
Comprehensive income for the year			
Profit for the financial year	-	6,527	6,527
Total comprehensive income for the year	-	6,527	6,527
At 31 December 2016	-	3,149	3,149

The notes on pages 13 to 29 form part of these financial statements.

1. GENERAL INFORMATION

The financial statements of ENGIE Buildings Limited for the year ended 31 December 2016 were authorised for issue by the Board of directors on 27 September 2017 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 where otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

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 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. ACCOUNTING POLICIES (CONTINUED)

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.

Revenue is recognised on planned preventative maintenance in line with the terms of the contract, on extra works as expenses are incurred and on projects on a percentage of completion basis.

Revenue from long-term service contracts is recognised in accordance with the company's accounting policy set out below.

2.5 Long-term service contracts

(a) PFI contracts

For PFI contracts, there are two distinct fixed revenue streams:

- The first is related to the management of the assets. The revenue is received from the PFI project entities against a predetermined amount at contract award (indexed annually) for providing facilities management services in maintaining the assets. Costs incurred for carrying out the related service are offset against these revenues, with any difference taken as margin in that year.

- The second revenue stream relates to lifecycle maintenance activities. Cash is received from the PFI project entities based on a predetermined billingschedule at contract award (indexed to RPI annually). These cash flows are for the replacement of component parts of the assets over the entire period of the contract, the timing of cash inflows from billings in most cases do not match the costs incurred for lifecycle maintenance. Margin is recognised by reference to the stage of completion of lifecycle activities based on the proportion of work completed to date compared with estimated total costs. The excess cash received in advance of performance is recognised as deferred income and any work done in excess of cash received is recognised as accrued income in the statement of financial position.

(b) Retail contracts

For retail contracts, costs are incurred on an agreed yearly budget and an agreed margin percentage applied for carrying out the service.

2. ACCOUNTING POLICIES (CONTINUED)

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 - 33%

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

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

2.7 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 first in, first out basis. 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.

2.8 Debtors

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

2.9 Cash and cash equivalents

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

2. ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentation currency is GBP.

Transactions and balances

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

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

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

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

2.13 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.

2.14 Operating leases: the company as lessee

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

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

2.15 Pensions

Defined contribution pension plan

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.16 Interest income

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

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.18 Taxation

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.

2.19 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 income 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

The company's revenue recognition and long-term service contract accounting policies (set out in note 2) are central to the way the company values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgements to be made on profit recognition, recovery of pre-contract costs, changes in work scope, contract programmes and maintenance liabilities.

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 12.

Provisions and accruals for liabilities

Management estimation is required to determine the appropriate amounts of provisions (including 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.

4. ANALYSIS OF TURNOVER

All turnover arose within the United Kingdom and Ireland from the company's principal activity, which is the provision of facilities management.

5. OPERATING PROFIT

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

	2016 £000	*2015* *£000*
Depreciation of tangible assets	**31**	*-*
Exchange differences	**(29)**	*34*
Defined contribution pension cost	**991**	*1,122*
Operating leases - minimum lease payments	**324**	*241*

6. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2016 £000	2015 £000
Fees for the audit of the company	40	30

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.

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	13,105	17,299
Social security costs	1,208	1,381
Cost of defined contribution scheme	991	1,122
	15,304	19,802

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

	2016 No.	2015 No.
Operations and administrative staff	565	762

8. DIRECTORS' REMUNERATION

	2016 £000	*2015 £000*
Directors' emoluments	102	*34*
Company contributions to defined contribution pension schemes	9	*3*
	111	*37*

During the year retirement benefits were accruing to 1 director *(2015: 1)* in respect of defined contribution pension schemes.

The emoluments of the remaining two directors *(2015: two directors)* who served the company during the year were paid by other group companies, as their services on behalf of ENGIE Buildings Limited were incidental to their services provided to other group companies. It is not possible to make an accurate apportionment of the emoluments in respect of each group company and, accordingly, the details above include no emoluments in respect of those directors.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £000	*2015 £000*
Bank interest receivable	77	*142*

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £000	*2015 £000*
Unwinding of discount on provisions	211	*743*
Exchange differences	9	*-*
	220	*743*

11. TAX ON PROFIT

	2016 £000	*2015 £000*
CORPORATION TAX		
Current tax on profit for the year	789	*-*
Adjustments in respect of previous periods	28	*323*
TOTAL CURRENT TAX	**817**	*323*
DEFERRED TAX		
Origination and reversal of timing differences	717	*6,313*
Changes to tax rates	138	*-*
Adjustments in respect of previous periods	(40)	*(290)*
TOTAL DEFERRED TAX	**815**	*6,023*
TAX ON PROFIT	**1,632**	*6,346*

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is the same as *(2015: higher than)* the standard rate of corporation tax in the UK of 20.00% *(2015: 20.25%)*. The differences are explained below:

	2016 £000	*2015 £000*
Profit before tax	**8,159**	*31,562*
Profit multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	**1,632**	*6,391*
EFFECTS OF:		
Expenses not deductible for tax purposes	-	*1*
Adjustments to tax charge in respect of previous periods	(12)	*33*
Short term timing difference leading to a decrease in taxation	(126)	*-*
Changes to tax rates	138	*(79)*
TOTAL TAX CHARGE FOR THE YEAR	**1,632**	*6,346*

11. TAX ON PROFIT (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 21% to 20% from 1 April 2015.

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.

12. EXCEPTIONAL ITEMS

	2016 £000	*2015 £000*
Included in administrative expenses:		
Onerous contract provision	-	*(10,878)*
Risk reserve provision	**(1,000)**	*(9,818)*
	(1,000)	*(20,696)*

The results for 2016 and 2015 include an exceptional credit of £1,000,000 and £20,696,000 respectively relating to the release of provisions following the settlement of certain commercial matters and a reassessment of onerous contract provisions following the completion of a detailed review of the company's expected commitments under the asset lifecycle maintenance contracts.

13. TANGIBLE ASSETS

	Plant and machinery £000
COST	
At 1 January 2016	93
Additions	5
At 31 December 2016	98
DEPRECIATION	
At 1 January 2016	-
Charge for the year	31
At 31 December 2016	31
NET BOOK VALUE	
At 31 December 2016	67
At 31 December 2015	*93*

14. STOCKS

	2016 £000	*2015 £000*
Raw materials and consumables	90	-

Replacement costs of stock

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

15. DEBTORS

	2016 £000	2015 £000
Trade debtors	6,125	14,433
Amounts owed by group undertakings	57,619	36,978
Other debtors	1,230	137
Prepayments and accrued income	10,800	4,209
Deferred taxation	108	923
	75,882	56,680

Included in amounts owed by group undertakings is a balance of £32,631,000 *(2015: £11,978,000)* held in a group cash pool arrangement, which is available on demand.

16. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	843	735
Less: bank overdrafts (see note 17)	-	(4,083)
	843	(3,348)

17. CREDITORS: Amounts falling due within one year

	2016 £000	2015 £000
Bank overdrafts	-	4,083
Trade creditors	8,790	2,806
Amounts owed to group undertakings	8,262	3,486
Group relief payable to group undertakings	875	1,419
Other taxation and social security	1,402	1,573
Other creditors	69	529
Accruals and deferred income	4,406	5,927
	23,804	19,823

Amounts owed to group undertakings are unsecured and interest free.

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

	2016 £000	*2015 £000*
Accruals and deferred income	**44,322**	*30,077*

19. FINANCIAL INSTRUMENTS

	2016 £000	*2015 £000*
FINANCIAL ASSETS		
Cash and receivables	**74,652**	*55,401*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(22,000)**	*(18,249)*

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

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

20. DEFERRED TAXATION

	2016 £000	*2015 £000*
At beginning of year	**923**	*6,946*
Charged to the income statement	**(815)**	*(6,023)*
AT END OF YEAR	**108**	*923*

The deferred tax asset is made up as follows:

	2016 £000	*2015 £000*
Capital allowances in excess of depreciation	**14**	*10*
Short-term timing differences	**94**	*913*
	108	*923*

21. PROVISIONS

	Onerous contract provision £000	Risk reserve provision £000	Defects reserve provision £000	Restructuring provision £000	Total £000
At 1 January 2016	2,169	8,448	369	-	10,986
Charged to the income statement	-	88	-	96	184
Released during the year	-	(1,000)	-	-	(1,000)
Unwinding of discount	211	-	-	-	211
Utilised in year	-	(4,720)	(54)	-	(4,774)
AT 31 DECEMBER 2016	**2,380**	**2,816**	**315**	**96**	**5,607**

Onerous contract provision

The onerous contract provision is based on the extent that the life-cycle funding over the remaining life of the project is assumed to be insufficient to cover the costs associated with maintaining the assets at the required condition. The provision of £2,380,000 at 31 December 2016 will be used over the life of the relevant contracts.

Risk reserve provision

The risk reserve provision is a provision for commercial contract issues identified, including rectification works, onerous leases, legal costs and other liabilities. The provision of £2,816,000 at 31 December 2016 is expected to be utilised in the short-term, subject to reaching settlement with relevant customers and work carried out to resolve the related matters.

Defects reserve provision

The defects reserve provision is a provision for the works to be undertaken on PFI contracts related to the correction of construction related issues post-handover of the asset to operation. The provision of £315,000 at 31 December 2016 is expected to be fully utilised in the coming year.

Restructuring provision

The restructuring provision balance comprises restructuring announced, where the costs had not yet been incurred at the year end. The provision of £96,000 is expected to be utilised during 2017.

22. CALLED UP SHARE CAPITAL

	2016 £	*2015 £*
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	**1**	*1*

23. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £991,000 *(2015: £1,122,000)*. There were outstanding contributions totalling £94,000 *(2015: £292,000)* payable to the scheme at the year end, which are included within other creditors.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	*2015 £000*
Land and buildings		
Not later than 1 year	**175**	*171*
Later than 1 year and not later than 5 years	**523**	*669*
Later than 5 years	**-**	*28*
	698	*868*

	2016 £000	*2015 £000*
Plant and machinery		
Not later than 1 year	**120**	*69*
Later than 1 year and not later than 5 years	**197**	*112*
	317	*181*

25. CONTROLLING PARTY

The immediate parent company of ENGIE Buildings Limited is ENGIE Services Holding UK Limited, a company registered in England and Wales. The directors regard ENGIE S.A. as the ultimate parent company and controlling party of ENGIE Buildings 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.