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COVENTRY DISTRICT ENERGY COMPANY LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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COVENTRY DISTRICT ENERGY COMPANY LIMITED

COMPANY INFORMATION

DIRECTOR	J Graham
COMPANY SECRETARY	P Moens
REGISTERED NUMBER	08090838
REGISTERED OFFICE	Equans Q10 Office Quorum Business Park Benton Lane Newcastle-upon-Tyne Tyne and Wear NE12 8BU
INDEPENDENT AUDITOR	Ernst & Young LLP Citygate St James' Boulevard Newcastle-upon-Tyne NE1 4JD

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COVENTRY DISTRICT ENERGY COMPANY LIMITED

CONTENTS

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The Director presents his report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of Coventry District Energy Company Limited ("the Company") is the provision of heating and energy services.

DIRECTORS

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

J Graham
B Lala (appointed 1 March 2022; resigned 30 June 2023)

FUTURE DEVELOPMENTS

The Director expects there to be no changes in the future activities or prospects of the Company.

FINANCIAL INSTRUMENTS

The Company monitors its exposure to risk on an ongoing basis. The Company's activities do not expose it to any material price risk, interest rate cash flow risk or foreign exchange risk. Owing to the nature of the Company's business and the assets and liabilities contained within the statement of financial position, the financial risks the Director considers 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 amounts owed by group undertakings. The credit risk on amounts owed by group undertakings is not considered to be significant given the strong statement of financial position and liquidity position of Equans S.A.S., which manages the cash pooling arrangements for Equans S.A.S and its subsidiaries (the "Equans group").

Liquidity risk

The Company is exposed to liquidity risk on its financial liabilities, including the overdraft with the group cash pool and amounts owed to group undertakings. In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the Company benefits from access to both short-term liquidity and longer-term financing support from the Equans group.

During 2022, the centralised cash pooling activities of the Equans group were transferred to Equans S.A.S., replacing the activities previously performed by ENGIE Treasury Management ("ETM"). This cash pooling enables efficient use of available liquidity and under this arrangement, the Company has an agreed overdraft facility "negative balance limit" ("NBL") of £5m to manage its working capital requirements. The previous current account agreements and agreed credit limits, as well as associated cash or negative balances, for all Equans UK entities were transferred from ETM to Equans S.A.S. on 25 April 2022. The credit limits provided under the current account agreements have not changed. There are no covenants associated with the provision of negative balances under the current account agreements.

The Company does not have any external non-trade debt financing. Although the UK business has been offered or could obtain several financial support arrangements from the banking industry, these have been deemed unnecessary.

GOING CONCERN

The budgeted cash flows for the Company (which show sufficient headroom even after considering a reasonably plausible downside), positive post-year end results and available liquidity through positive cash balances, all allow the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2024 and therefore apply the going concern basis of preparation for the statutory accounts for the year ended 31 December 2022.

During 2022, the Equans group commenced a strategic review of the district heating business in the United Kingdom. Following completion of that review, the Equans group made a decision to sell a portfolio of companies involved in that business. The Company is part of the UK portfolio which is to be sold. On 15 September 2023, a share purchase agreement was signed between Equans Holding UK Limited, a parent company, and the proposed acquirer, Burnie Bidco Limited ("Burnie Bidco"). Completion is subject to certain conditions being fulfilled, with the anticipated date of sale expected on 31 December 2023.

In the Directors' view, the proposed acquirer will ensure that suitable liquidity is made available to the Company to meet its obligations and to fund its growth. This view is predicated on the acquirer being required to fund the repayment of any debts due to Equans group companies, for all companies within the scope of the disposal perimeter, as well as the acquirer's aim to recover its purchase price through profits and cash flow.

The Directors are confident that suitable liquidity is available to ensure that the business can fund its growth and operations whilst remaining as part of the Equans group. The acquirer has also provided its budgets, liquidity and financial arrangements that will be available to the Company after sale, so that the current Directors confirm that there is a reasonable expectation that the Company has adequate resources to pay its liabilities as they fall due during the period to 31 December 2024.

The Company has also received a letter of support from Burnie Bidco, which will provide support to the Company in order that the Company can maintain adequate financial resources to meet its liabilities as they fall due, and so that it is in a position to meet its obligations and continue to trade, but only to the extent that funding for this is not otherwise available to meet such obligations. This support shall be applicable for a period to 31 December 2024 and will be subject at all times to the finalisation of the sale of the Company, as contemplated under the Share Purchase Agreement, to Burnie Bidco, and only if and so long as the Company is a wholly owned subsidiary of Burnie Bidco. The letter of support also confirms that for the period to 31 December 2024, it is intended for the Company to continue to operate in its current form and that Burnie Bidco has no plans to sell, dissolve or halt trading of the Company. The Directors confirm that Burnie Bidco has the capacity to provide such support in a manner it deems appropriate.

In the event that the sale does not occur as expected, because the Company is part of the Equans SAS cash pool arrangement, an uncapped letter of support has been received from Equans Holding UK Limited for a period to 31 December 2024, so long as the Company remains a subsidiary within the Equans group.

Therefore, the financial statements are prepared on a going concern basis and do not include any adjustments to the carrying amount or classification of assets and liabilities that would be required if the Company was unable to continue as a going concern.

DISCLOSURE OF INFORMATION TO AUDITOR

The Director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

On 15 September 2023, as outlined in the going concern disclosure, a share purchase agreement was signed between Equans Holding UK Limited, a parent company, and the proposed acquirer of the district heating business, of which this Company is a part. Completion is subject to certain conditions being fulfilled.

In preparing this report, the Director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board on 20 December 2023 and signed on its behalf.

DocuSigned by:
James Graham
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J Graham
Director

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has 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 Director must not approve the financial statements unless he is 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 Director is 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 Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 COVENTRY DISTRICT ENERGY COMPANY LIMITED

Opinion

We have audited the financial statements of Coventry District Energy Company Limited (the 'company') for the year ended 31 December 2022 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 director is responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVENTRY DISTRICT ENERGY COMPANY LIMITED (CONTINUED)

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 director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemptions in preparing the director's report and from the requirement to prepare a strategic report.

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 4, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
    - Companies Act 2006 and FRS101
    - Tax legislation (governed by HM Revenue & Customs) and including furlough legislation
    - Health and Safety legislation
- We understood how the company is complying with those frameworks by reading internal policies and codes of conduct and assessing the entity level control environment. We made enquiries of the company's legal counsel and senior management of known instances of non-compliance or suspected non-compliance with laws and regulations, including any matters raised in whistleblowing. We also considered the oversight procedures of the company's parent entity at a UK level through the "Executive Board".
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management, including the UK Chief Financial Officer, the UK Deputy Chief Financial Officer, the UK Group Financial Controller. We obtained details of incidents and allegations of fraud raised internally and investigated by the company's ethics and compliance team. We planned our audit to identify risks of management override or bias by agreeing journal entries in the areas involving significant estimation and judgement, recognition of revenue and profits on contracts, to supporting documentation.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board meetings and other committee minutes, including the Risk Management Committee, and incident registers to identify any non-compliance with laws and regulations. Our procedures also involved journal entry testing and data analytics, as set out above. Our testing also included consideration of compliance of employees with policies and codes of conduct at a contract level, for a sample of contracts, based on their size and complexity.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
21 December 2023

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	*2021* *£000*
Turnover	4	**1,416**	*635*
Cost of sales		**(1,065)**	*(743)*
Gross profit/(loss)		**351**	*(108)*
Administrative expenses		**(198)**	*(185)*
Other operating income	5	**88**	*88*
Operating profit/(loss)	6	**241**	*(205)*
Interest payable and similar expenses	8	**(141)**	*(122)*
Profit/(loss) before tax		**100**	*(327)*
Tax on profit/(loss)	9	**(93)**	*203*
Profit/(loss) for the financial year		**7**	*(124)*

There are no items of other comprehensive income for 2022 or 2021 other than the profit/(loss) for the year included in the income statement and therefore no statement of comprehensive income has been presented.

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

COVENTRY DISTRICT ENERGY COMPANY LIMITED
REGISTERED NUMBER: 08090838

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	*2021 £000*
Fixed assets			
Tangible assets	10	**4,889**	*5,145*
		4,889	*5,145*
Current assets			
Debtors	11	**774**	*809*
		774	*809*
Creditors: amounts falling due within one year	12	**(7,253)**	*(5,375)*
Net current liabilities		**(6,479)**	*(4,566)*
Total assets less current liabilities		**(1,590)**	*579*
Creditors: amounts falling due after more than one year	13	**-**	*(2,176)*
Net liabilities		**(1,590)**	*(1,597)*
Capital and reserves			
Called up share capital	17	**-**	-
Profit and loss account	18	**(1,590)**	*(1,597)*
Total deficit		**(1,590)**	*(1,597)*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 20 December 2023.

DocuSigned by:
James Graham
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J Graham
Director

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Profit and loss account	Total deficit
	£000	£000	£000
At 1 January 2021	-	(1,473)	(1,473)
Comprehensive loss for the year			
Loss for the financial year	-	(124)	(124)
Total comprehensive loss for the year	-	(124)	(124)
At 1 January 2022	-	(1,597)	(1,597)
Comprehensive income for the year			
Profit for the financial year	-	7	7
Total comprehensive income for the year	-	7	7
At 31 December 2022	-	(1,590)	(1,590)

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

1. GENERAL INFORMATION

The financial statements of Coventry District Energy Company Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 20 December 2023 and the statement of financial position was signed on the Board's behalf by J Graham.

The Company is a private limited liability company, incorporated and domiciled in the United Kingdom. The address of its registered office is Equans Q10 Office, Quorum Business Park, Benton Lane, Newcastle-upon-Tyne, Tyne and Wear, NE12 8BU.

The results and net liabilities of the Company, which are not eliminated on consolidation, have been included in the consolidated financial statements of Bouygues S.A. prepared since 4 October 2022 and as at 31 December 2022 (and the consolidated financial statements of ENGIE S.A. prepared between 1 January 2022 and 3 October 2022).

The consolidated financial statements of Bouygues S.A. are available from Bouygues, 32 Avenue Hoche, 75008, Paris, France.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The functional and presentation currency of the Company is Pounds Sterling ("£") and all values in these financial statements are rounded to the nearest thousand pounds ("£'000") except when otherwise indicated.

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

The following principal accounting policies have been applied:

2. ACCOUNTING POLICIES (CONTINUED)

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - 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

This information is included in the consolidated financial statements of Bouygues S.A. as at 31 December 2022 and these financial statements may be obtained from Bouygues, 32 Avenue Hoche, 75008, Paris, France.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The budgeted cash flows for the Company (which show sufficient headroom even after considering a reasonably plausible downside), positive post-year end results and available liquidity through positive cash balances, all allow the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2024 and therefore apply the going concern basis of preparation for the statutory accounts for the year ended 31 December 2022.

During 2022, the Equans group commenced a strategic review of the district heating business in the United Kingdom. Following completion of that review, the Equans group made a decision to sell a portfolio of companies involved in that business. The Company is part of the UK portfolio which is to be sold. On 15 September 2023, a share purchase agreement was signed between Equans Holding UK Limited, a parent company, and the proposed acquirer, Burnie Bidco Limited ("Burnie Bidco"). Completion is subject to certain conditions being fulfilled, with the anticipated date of sale expected on 31 December 2023.

In the Directors' view, the proposed acquirer will ensure that suitable liquidity is made available to the Company to meet its obligations and to fund its growth. This view is predicated on the acquirer being required to fund the repayment of any debts due to Equans group companies, for all companies within the scope of the disposal perimeter, as well as the acquirer's aim to recover its purchase price through profits and cash flow.

The Directors are confident that suitable liquidity is available to ensure that the business can fund its growth and operations whilst remaining as part of the Equans group. The acquirer has also provided its budgets, liquidity and financial arrangements that will be available to the Company after sale, so that the current Directors confirm that there is a reasonable expectation that the Company has adequate resources to pay its liabilities as they fall due during the period to 31 December 2024.

The Company has also received a letter of support from Burnie Bidco, which will provide support to the Company in order that the Company can maintain adequate financial resources to meet its liabilities as they fall due, and so that it is in a position to meet its obligations and continue to trade, but only to the extent that funding for this is not otherwise available to meet such obligations. This support shall be applicable for a period to 31 December 2024 and will be subject at all times to the finalisation of the sale of the Company, as contemplated under the Share Purchase Agreement, to Burnie Bidco, and only if and so long as the Company is a wholly owned subsidiary of Burnie Bidco. The letter of support also confirms that for the period to 31 December 2024, it is intended for the Company to continue to operate in its current form and that Burnie Bidco has no plans to sell, dissolve or halt trading of the Company. The Directors confirm that Burnie Bidco has the capacity to provide such support in a manner it deems appropriate.

In the event that the sale does not occur as expected, because the Company is part of the Equans SAS cash pool arrangement, an uncapped letter of support has been received from Equans Holding UK Limited for a period to 31 December 2024, so long as the Company remains a subsidiary within the Equans group.

Therefore, the financial statements are prepared on a going concern basis and do not include any adjustments to the carrying amount or classification of assets and liabilities that would be required if the Company was unable to continue as a going concern.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE

For all contracts with customers the Company recognises revenue when performance obligations have been satisfied. For most of the Company's contracts revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company.

IFRS 15 provides a five step-model which the Company has applied to all sales contracts with customers to identify the revenue which can be recognised. The model is applied at contract inception and on the assumption that the contract will operate as defined in the contract and that the contract will not be cancelled, renewed or modified. After contract inception a change in the scope or price (or both) of a contract that is approved by the parties to the contract is a contract modification.

Step 1 - Identify the contract with the customer

First, the Company determines if a contract exists and whether it is in scope of IFRS 15. The arrangement must create enforceable rights and obligations. Typically, this will be a signed contract with the customer. The Company and customer must be committed to perform their respective obligations, each party's rights regarding the goods or services to be transferred should be identifiable, the payment terms for the goods or services to be transferred should be identifiable, the arrangement must have commercial substance and it must be probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. This assessment is completed on a case by case basis in line with IFRS 15.

Step 2 - Identify the performance obligations in the contract

At contract inception the Company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations and contractual promises to transfer distinct goods or services to a customer. For contracts with several components, judgment is necessary to determine the performance obligations by considering whether those promised goods or services are:

a) a good or service (or bundle of goods or services) that is distinct; or
b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

For core services provided under most contracts entered into by the Company, management has applied the principles of IFRS 15 and concluded that the promises are distinct within the context of the contract and as such there are three performance obligations, being the initial connection to the Company's assets, an ongoing capacity reservation charge and the supply of heating, cooling and electricity.

Step 3 - Determine the transaction price

The transaction price is defined as the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

The Company estimates the transaction price at contract inception, including any variable consideration, and updates the estimate each reporting period for any changes in circumstances.

When determining the transaction price, the Company assumes that the goods or services will be transferred to the customer based on the terms of the existing contract and does not take into consideration the possibility of a contract being cancelled, renewed or modified.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE (continued)

Step 4 - Allocate the transaction price to the performance obligations in the contract

The Company allocates the total transaction price to each of the identified performance obligations based on their relative stand-alone selling prices as per the contract.

Step 5 - Recognise revenue when the entity satisfies a performance obligation

For each performance obligation, the Company recognises revenue when (or as) the performance obligation is satisfied. For each performance obligation identified, the Company determines at the contract inception whether it satisfies the performance obligation and recognises revenue over time or at a point in time. For core services provided under most contracts revenue is recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Company.

For each performance obligation satisfied over time, the Company recognises revenue over time by measuring progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of an entity's performance obligation). The nature of the good or service that the entity promised to transfer to the customer determines the appropriate method for measuring progress. The Company mainly uses the output method as the core services provided include the initial connection to the Company's assets and then the ongoing supply of energy to the customer.

Long-term contracts

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

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

Costs to obtain a contract

The incremental costs to obtain a contract with a customer are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE (continued)

Costs to fulfil a contract

Costs incurred to ensure that a contract is appropriately mobilised and transformed to enable the delivery of full services under the contract target operating model, are contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the statement of financial position:

a) the costs relate directly to the contract or to a specific anticipated contract;
b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
c) the costs are expected to be recovered.

For costs incurred in fulfilling a contract with a customer that are within the scope of another IFRS, the Company accounts for these in accordance with those other IFRSs.

Amortisation and impairment of contract assets

The Company amortises contract assets (costs to obtain a contract and costs to fulfil a contract) on a systematic basis that is consistent with the transfer to the customer of the related goods or services to which the asset relates.

Accrued income and deferred income

At the reporting date the Company recognises accrued income or deferred income when revenue recognised is cumulatively higher or lower than the amounts invoiced to the customer.

2.5 GOVERNMENT GRANTS

Government grants received on capital expenditure are initially recognised within deferred income on the Company's statement of financial position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

2.6 FINANCE COSTS

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

2. ACCOUNTING POLICIES (CONTINUED)

2.7 TAXATION

The tax for the year comprises current and deferred tax. Tax is recognised in profit or loss except that an expense attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 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	- Over the remaining term of the contract
Assets under construction	- No depreciation charged

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.9 ASSETS UNDER CONSTRUCTION

Assets under construction include those costs incurred on plant and machinery which are not yet fully commissioned. Assets under construction are not depreciated until they are ready for use, when they are transferred to the relevant asset class and depreciated over their useful economic lives.

2.10 IMPAIRMENT OF FIXED ASSETS

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.11 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.

2.12 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits 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. Cash and cash equivalents are placed with either financial institutions or Equans S.A.S. as the centralising entity for the Equans group cash pool.

Where a company is in an overdrawn position with the Equans group cash pool, this is included as an overdraft within creditors: amounts falling due within one year on the statement of financial position.

2.13 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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2. ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS

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

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

Financial assets

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

Debt instruments at amortised cost

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

Impairment of financial assets

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

Financial liabilities

At amortised cost

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

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for income and expenses during the year. However, the nature of estimation means the actual outcomes could differ from those estimates.

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

Revenue recognition

The Company determines if a contract exists and whether it is in scope of IFRS 15. The arrangement must create enforceable rights and obligations. Typically, this will be a signed contract with the customer. The Company and customer must be committed to perform their respective obligations, each party's rights regarding the goods or services to be transferred should be identifiable, the payment terms for the goods or services to be transferred should be identifiable, the arrangement must have commercial substance and it must be probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. This assessment is completed on a case by case basis in line with IFRS 15.

At contract inception the Company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations, contractual promises to transfer distinct goods or services to a customer. For contracts with several components, judgment is necessary to determine the performance obligations by considering whether those promised goods or services are:

a) a good or service (or bundle of goods or services) that is distinct; or
b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

For core services provided under most contracts entered into by the Company, management has applied the principles of IFRS 15 and concluded that the promises are not distinct within the context of the contract and as such there are three performance obligations, being the initial connection to the Company's assets, an ongoing capacity reservation charge and the supply of heating, cooling and electricity.

The Company recognises revenue on a contract by contract basis based on the satisfaction of performance obligations. Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

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

Provisions and accruals for liabilities

Management estimation is required to determine the appropriate amounts of provisions for bad and doubtful debts, customer rebates and accruals for certain administrative expenses. The judgments, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Tangible assets

It is necessary to determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. These assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. TURNOVER

All turnover arose within the United Kingdom from the Company's principal activity, which is the provision of heating and energy services.

5. OTHER OPERATING INCOME

	2022	*2021*
	£000	*£000*
Government grants receivable	**88**	*88*

6. OPERATING PROFIT/(LOSS)

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

	2022	*2021*
	£000	*£000*
Depreciation of tangible assets	**335**	*335*

The Company has no employees *(2021: none)*. The Company does not directly employ any staff. All employees hold contracts of employment with other group companies, with the costs allocated to the Company via an overhead recharge.

All Directors' remuneration is paid by fellow group undertakings in respect of their services to group companies. The Directors' services to the Company do not occupy a significant amount of time and consequently no allocation can be made to the Company for qualifying services for the year *(2021: £nil)*.

7. AUDITOR'S REMUNERATION

	2022 **£000**	*2021* *£000*
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**17**	*14*
Fees payable to the Company's auditor for the audit of the Company's prior year financial statements	**6**	-
	23	*14*

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 **£000**	*2021* *£000*
Interest payable to group undertakings	**92**	*18*
Interest payable on loans from group undertakings	**49**	*104*
	141	*122*

9. TAXATION

	2022 **£000**	*2021* *£000*
Corporation tax		
Current tax on profit/(loss) for the year	**26**	*(43)*
Adjustments in respect of previous periods	**(11)**	*(58)*
Total current tax	**15**	*(101)*
Deferred tax		
Origination and reversal of timing differences	**11**	*(30)*
Changes to tax rates	**-**	*(105)*
Adjustments in respect of previous periods	**67**	*33*
Total deferred tax	**78**	*(102)*
Tax on profit/(loss)	**93**	*(203)*

9. TAXATION (CONTINUED)

FACTORS AFFECTING TAX EXPENSE/(CREDIT) FOR THE YEAR

The tax assessed for the year is higher than *(2021: higher than)* the standard rate of corporation tax in the UK of 19.00% *(2021: 19.00%)*. The differences are explained below:

	2022 £000	*2021* *£000*
Profit/(loss) before tax	**100**	*(327)*
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	**19**	*(62)*
Effects of:		
Expenses not deductible for tax purposes	**-**	*(37)*
Fixed asset differences	**15**	*27*
Adjustments in respect of previous periods	**56**	*(25)*
Non-taxable income	**-**	*(2)*
Changes to tax rates	**3**	*(104)*
Total tax expense/(credit) for the year	**93**	*(203)*

FACTORS THAT MAY AFFECT FUTURE TAX EXPENSES

Legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed a planned reduction of the main rate of UK corporation tax, thereby maintaining the current rate of 19%. The Finance (No.2) Bill 2019-2021 (enacted 10 June 2021) included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which came into effect on 1 April 2023. Deferred taxes on the statement of financial position have been measured at the substantively enacted corporation tax rate that will be effective when they are expected to be realised.

10. TANGIBLE ASSETS

	Plant and machinery £000	Assets under construct-ion £000	Total £000
Cost			
At 1 January 2022	8,944	63	9,007
Additions	7	72	79
At 31 December 2022	8,951	135	9,086
Depreciation			
At 1 January 2022	3,862	-	3,862
Charge for the year on owned assets	335	-	335
At 31 December 2022	4,197	-	4,197
Net book value			
At 31 December 2022	4,754	135	4,889
At 31 December 2021	*5,082*	*63*	*5,145*

10. TANGIBLE ASSETS (CONTINUED)

Management has assessed the carrying value of tangible assets by reviewing impairment indicators and using detailed calculations of recoverable amount for the Company as a cash-generating unit (CGU). These calculations are supported by forecast future discounted cash flows. This is disclosed as a key source of estimation uncertainty as per note 3.

In the value in use cash flows, the projected performance of the CGU is based primarily on the price of commodities and discount rates. The price of commodities is based on forward price curves and the discount rates are estimated reflecting the current market assessment of the time value of money and the risks specific to the assets for which future cash flow estimates have not been adjusted.

The discount rate is determined using the Capital Asset Pricing Model (CAPM).

No impairment losses have been recognised in either the current year or prior year, as recoverable amounts exceed the total carrying value of assets for the Company.

The recoverable amounts associated with the tangible asset balances are based on performance projects and current forecast information. If the Company's actual performance does not meet these projections this could lead to an impairment of the balance in future periods. Discounted future cashflows used in the calculation of recoverable amounts can be impacted by changes in the estimated factors disclosed above.

The assets used to deliver services relate to long-term contracts and therefore the estimates include long-term assumptions relating to future cash flows.

11. DEBTORS

	2022 £000	*2021* *£000*
Due after more than one year		
Prepayments and accrued income	**202**	*130*
Deferred taxation	**355**	*433*
	557	*563*
Due within one year		
Group relief receivable from group undertakings	**27**	*104*
Other debtors	**6**	*6*
Prepayments and accrued income	**184**	*136*
	774	*809*

12. CREDITORS: Amounts falling due within one year

	2022 £000	*2021* *£000*
Overdraft with the group cash pool	**5,372**	-
Trade creditors	**4**	*1*
Amounts owed to group undertakings	**234**	*3,759*
Other taxation and social security	**44**	*20*
Grants received	**1,395**	*1,483*
Accruals and deferred income	**204**	*112*
	7,253	*5,375*

The Company is a participant in the Equans group cash pool arrangements in which Equans S.A.S., a parent of the Company, acts as the centralising entity. Cash of the Company, as well as other subsidiaries of Equans Holding UK Limited in the UK, is pooled daily. Negative bank balances are also extinguished. This is achieved through a zero balance end of day automated cash pooling process operated by Barclays Bank plc and centralised at the Equans S.A.S. header account level.

The cash pool arrangements between Equans S.A.S. as the centralising entity and each member as a participating company are set out in a legally binding Current Account Agreement. Any cash required by a participating company can be withdrawn without notice and without penalty, subject to intra-day and negative balance limits.

The overdraft with the group cash pool represents amounts borrowed from Equans S.A.S. under the terms of this Current Account Agreement. As at 31 December 2022, amounts borrowed were in excess of the negative balance limit of £5,000,000 agreed within the Current Account Agreement.

Included within amounts owed to group undertakings, is an intercompany balance with ENGIE CC of £nil *(2021: £56,000)*, which was unsecured and accrued interest at an effective rate of 4.6% per annum.

On 24 June 2022, the Company's loan from ENGIE CC was repaid. The loan repayment was funded through the Company's current account overdraft with EQUANS S.A.S. Details of this loan balance as at 31 December 2021 are found in notes 12, 13 and 14. As of 4 October 2022, ENGIE CC is no longer a group undertaking.

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

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

	2022 £000	*2021 £000*
Amounts owed to group undertakings	-	*2,176*

Amounts owed to group undertakings consist of an intercompany balance with ENGIE CC of £nil *(2021: £2,176,000)*, which was unsecured and accrued interest at an effective rate of 4.6% per annum. The loan was repayable as disclosed in the note below.

On 24 June 2022, the Company's loan from ENGIE CC was repaid. The loan repayment was funded through the Company's current account overdraft with EQUANS S.A.S. Details of this loan balance as at 31 December 2021 are found in notes 12, 13 and 14. As of 4 October 2022, ENGIE CC is no longer a group undertaking.

14. LOANS

Analysis of the maturity of loans is given below:

	2022 £000	*2021 £000*
Amounts falling due within one year		
Amounts owed to group undertakings	-	*56*
Amounts falling due 1-2 years		
Amounts owed to group undertakings	-	*59*
Amounts falling due 2-5 years		
Amounts owed to group undertakings	-	*193*
Amounts falling due after more than 5 years		
Amounts owed to group undertakings	-	*1,924*
	-	*2,232*

15. FINANCIAL INSTRUMENTS

	2022 £000	*2021 £000*
Financial assets		
Financial assets measured at amortised cost	**412**	*369*
Financial liabilities		
Financial liabilities measured at amortised cost	**(5,756)**	*(6,048)*

Financial assets measured at amortised cost comprise group relief receivable from group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise the overdraft with the group cash pool, trade creditors, amounts owed to group undertakings and accruals.

16. DEFERRED TAXATION

	2022 £000	*2021 £000*
At beginning of year	**433**	*331*
(Charged)/credited to the income statement	**(78)**	*102*
At end of year	**355**	*433*

The deferred tax asset is made up as follows:

	2022 £000	*2021 £000*
Depreciation in advance of capital allowances	**6**	*14*
Short-term timing differences	**349**	*419*
	355	*433*

17. CALLED UP SHARE CAPITAL

	2022 £	*2021 £*
Allotted, called up and fully paid		
2 *(2021: 2)* Ordinary shares of £1.00 each	**2**	*2*

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18. RESERVES

Profit and loss account

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

19. POST BALANCE SHEET EVENTS

On 15 September 2023, as outlined in the going concern disclosure, a share purchase agreement was signed between Equans Holding UK Limited, a parent company, and the proposed acquirer of the district heating business, of which this Company is a part. Completion is subject to certain conditions being fulfilled.

20. CONTROLLING PARTY

The immediate parent company of Coventry District Energy Company Limited is Equans Urban Energy Group Limited, a company registered in England and Wales. The Directors regard Bouygues S.A. as the ultimate parent company and controlling party of Coventry District Energy Company Limited. Bouygues 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 Bouygues S.A.

Copies of the group's consolidated financial statements may be obtained from Bouygues, 32 Avenue Hoche, 75008, Paris, France.