Registered number: 09468531

COWEST SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2015

COWEST SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS	M Gallacher N Lovett C Seward G Sheret R Wynn
COMPANY SECRETARY	Cheshire West and Chester Borough Council
REGISTERED NUMBER	09468531
REGISTERED OFFICE	Wyvern House The Drumber Winsford CW7 1AH
INDEPENDENT AUDITORS	Ernst & Young LLP Citygate St James' Boulevard Newcastle-upon-Tyne NE1 4JD

COWEST SERVICES LIMITED

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STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2015

INTRODUCTION

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

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of Cowest Services Limited ("the company") is the provision of outsourced services and total facilities management, which refers to the provision of multiple facilities management services on an integrated basis under a single contract.

The company was incorporated on 3 March 2015.

During the year the company has taken advantage of the disclosure exemptions allowed under FRS 101 - Reduced Disclosure Framework. The company's parent undertaking, ENGIE Services Limited (formerly Cofely Workplace Limited), was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

Turnover for the period under review was £7,765,000 and profit before tax for the period was £153,000.

The business met its financial and operational performance targets in what was a successful first year. There were a number of strategic transformation projects delivered in year, including a 25% efficiency improvement in cleaning and a large scale change project in business operations, to deliver the Cheshire West and Chester Borough Council target cost whilst maintaining service quality and scope. In the coming year the focus of the business is on the delivery of the new digital programme for Cheshire West and Chester Borough Council which will enhance customer experience and aide channel shift.

The company inherited significant pension liabilities from Cheshire West and Chester Borough Council relating to the employees transferring to the company at the start of the contract on 1 June 2015. The company has accounted for the defined benefit pension liability in these financial statements in accordance with IAS 19. However, in recognition of the volatility of such liabilities, Cheshire West and Chester Borough Council have provided legal assurances that indemnify the company against any deficits caused by factors outside its control. These indemnities are only triggered once additional costs are incurred so their value is not reflected in the company's income statement, but the change in estimated value of that guarantee is reflected in the statement of comprehensive income. Further details explaining this treatment are included in note 16.

PRINCIPAL RISKS AND UNCERTAINTIES

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

External risks

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

Strategic risks

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

STRATEGIC REPORT (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2015

Organisation and management risks

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

Delivery and operational risks

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

Health, safety and environmental risks

The health and safety of its employees and of the public is of the upmost importance to the company. The company has a responsible attitude to the environmental impact of the infrastructure, building, industrial development and other projects with which it is concerned. It seeks to always act in accordance with good practice, preserving and, where possible, enhancing the quality of the environment. The company's system for environmental issues continues to form a significant and integral part of their systems.

FINANCIAL KEY PERFORMANCE INDICATORS

Due to the fact the company was incorporated during the year and therefore has no comparative information on which to perform an analysis, financial and other key performance indicators have not been presented for an understanding of the development, performance or position of the company.

This report was approved by the Board on 28 September 2016 and signed on its behalf.

M Gallacher
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £102,000.

The directors do not recommend the payment of a dividend for the period ended 31 December 2015.

DIRECTORS

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

M Gallacher (appointed 1 February 2016)
N Lovett (appointed 1 February 2016)
C Seward (appointed 9 March 2015)
G Sheret (appointed 31 August 2015)
R Wynn (appointed 1 February 2016)
R Blumberger (appointed 3 March 2015, resigned 1 February 2016)
M Burholt (appointed 3 March 2015, resigned 31 August 2015)
R Harrison (appointed 9 March 2015, resigned 1 February 2016)
S Winkworth (appointed 3 March 2015, resigned 1 February 2016)

FUTURE DEVELOPMENTS

The company is looking at a number of growth opportunities and there is a keen interest from the directors to expand and grow the business. The company has already been successful in being awarded a £4.8m LED Street Lighting Project by Cheshire West and Chester Borough Council, which is due to begin later in 2016.

The company has also expressed interest in a number of current pre-qualification questionnaires ("PQQ's") and tenders.

The unique joint venture framework that the company has allows it to contract with local authorities without the need for a full public procurement. This means that in the coming contract year the company are looking to contract with several local authorities, such as Wirral Council, around a range of different services.

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 and trade and other debtors. The credit risk associated with cash is limited, as the company uses financial institutions with a high credit rating for banking requirements. All customers are credit checked prior to any sales and only customers with an appropriate credit risk history are offered credit terms. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on amounts owed by group undertakings is not considered to be significant.

Liquidity risk

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

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 employee's home addresses. Employee involvement in the company is encouraged through regular employee surveys, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in improving its performance. The company also encourages the involvement of employee's 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

In respect of the directors appointed by ENGIE only, 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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, were appointed during the period and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 28 September 2016 and signed on its behalf.

M Gallacher
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2015

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom *Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting* Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COWEST SERVICES LIMITED

We have audited the financial statements of Cowest Services Limited for the period ended 31 December 2015 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COWEST SERVICES LIMITED (continued)

Matters on which we are required to report by exception

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

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

Ernst + Young LLP

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

INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	2015 £000
Turnover	4	7,765
Cost of sales		(4,058)
Gross profit		3,707
Administrative expenses		(3,509)
Operating profit	5	198
Other finance costs	8	(45)
Profit on ordinary activities before tax		153
Tax on profit on ordinary activities	9	(51)
Profit for the financial period		102

The notes on pages 13 to 32 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	2015 £000
Profit for the financial period		102
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit schemes	16	1,330
Change in value of pension reimbursement debtor	16	(1,232)
		98
Total comprehensive income for the period		200

The notes on pages 13 to 32 form part of these financial statements.

COWEST SERVICES LIMITED
REGISTERED NUMBER: 09468531

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £000
Current assets		
Debtors: amounts falling due after more than one year	10	**908**
Debtors: amounts falling due within one year	10	**3,115**
Cash at bank and in hand	11	**2,343**
		6,366
Creditors: amounts falling due within one year	12	**(5,258)**
Net current assets		**1,108**
Total assets less current liabilities		**1,108**
Net assets excluding pension liability		**1,108**
Pension liability	16	**(908)**
Net assets		**200**
Capital and reserves		
Called up share capital	15	**-**
Profit and loss account		**200**
Total equity		**200**

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 28 September 2016.

M Gallacher
Director

The notes on pages 13 to 32 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Comprehensive income for the period			
Profit for the financial period	-	102	102
Actuarial gains on pension scheme	-	1,330	1,330
Change in value of pension reimbursement debtor	-	(1,232)	(1,232)
Other comprehensive income for the period	-	98	98
Total comprehensive income for the period	-	200	200
At 31 December 2015	-	200	200

The notes on pages 13 to 32 form part of these financial statements.

1. GENERAL INFORMATION

The financial statements of Cowest Services Limited for the year ended 31 December 2015 were authorised for issue by the Board of directors on 28 September 2016 and the statement of financial position was signed on the Board's behalf by M Gallacher.

The company is a private limited liability company, incorporated and domiciled in the United Kingdom. The address of its registered office is Wyvern House, The Drumber, Winsford, CW7 1AH.

The results of the company are included in the consolidated financial statements of ENGIE S.A., which are available from ENGIE, 16 Rue de la Ville l'Eveque, 75383 Paris, Cedex 08, France.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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:

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

2.3 Going concern

The directors have considered the company's current and future prospects and its availability of financing 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.

2.5 Long-term contracts

Profit on long-term contracts is recognised as the work is carried out providing that the final outcome can be assessed with reasonable certainty. Costs related to the contracts are recognised within cost of sales in the period in which they are incurred. Turnover and profit are calculated to reflect the proportion of the work carried out at the year end 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. Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of costs that have been written off are deferred and amortised over the life of the contract.

2.6 Debtors

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

2.7 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)

2.8 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.

2.9 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)

2.10 Pensions

Defined contribution pension plan

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

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

Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2. ACCOUNTING POLICIES (continued)

Pensions (continued)

In addition to recognising the value of its pension liability to the Cheshire Pension Fund, the company also recognises the value of the contractual assurances it holds from Cheshire West and Chester Borough Council. These assurances mean that the company's funding would be adjusted to reflect any underlying changes in their pension costs. This assurance holds a value to the company which is assessed using the same actuarial assumptions used to determine its liabilities under the defined benefit pension scheme. As a result the value of the pension reimbursement debtor exactly matches and offsets the value of the pension liability.

2.11 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

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

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

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

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

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

Revenue recognition

The company recognises revenue on a contract by contract basis. Where the company is required to supply services in addition to the contractual requirements, this revenue is recognised based on costs incurred, plus the margin agreed with the customer. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Profit on long-term contracts is recognised as the work is carried out providing that the final outcome can be assessed with reasonable certainty. Costs related to the contracts are recognised within cost of sales in the period in which they are incurred. Turnover and profit are calculated to reflect the proportion of the work carried out at the year end 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. Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of costs that have been written off are deferred and amortised over the life of the contract.

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.

Taxation

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

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 14.

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

Pension and other post-employment benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables and future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 16.

In addition to recognising the value of its pension liability to the Cheshire Pension Fund, the company also recognises the value of the contractual assurances it holds from Cheshire West and Chester Borough Council. These assurances mean that the company's funding would be adjusted to reflect any underlying changes in their pension costs. This assurance holds a value to the company which is assessed using the same actuarial assumptions used to determine its liabilities under the defined benefit pension scheme. As a result the value of the pension reimbursement debtor exactly matches and offsets the value of the pension liability.

4. ANALYSIS OF TURNOVER

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

5. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £000
Defined contribution pension cost	56
Defined benefit pension cost	395

All directors' remuneration is paid by a fellow group undertaking or Cheshire West and Chester Borough Council in respect of their services to group companies or Cheshire West and Chester Borough Council respectively. The directors' services to the company do not occupy a significant amount of time and consequently the directors do not feel that they have received any remuneration for their incidental services to this company for the period.

6. AUDITORS' REMUNERATION

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

	2015 £000
Fees for the audit of the company	12

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 were as follows:

	2015 £000
Wages and salaries	1,947
Social security costs	105
Cost of defined benefit pension scheme	395
Cost of defined contribution pension scheme	56
	2,503

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

	2015 No.
Management, administration and operations	262

8. OTHER FINANCE COSTS

	2015 £000
Net interest on net defined benefit pension liability	45

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £000
CORPORATION TAX	
Current tax on profit for the period	61
TOTAL CURRENT TAX	61
DEFERRED TAX	
Origination and reversal of timing differences	(11)
Changes to tax rates	1
TOTAL DEFERRED TAX	(10)
TAX ON PROFIT ON ORDINARY ACTIVITIES	51

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 20.10%. The differences are explained below:

	2015 £000
Profit on ordinary activities before tax	153
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.10%	31
EFFECTS OF:	
Decrease in tax in respect of the defined benefit pension scheme	(162)
Unrecognised deferred tax	163
Change to tax rates	19
TOTAL TAX CHARGE FOR THE PERIOD	51

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.10%.

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

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

10. DEBTORS

	2015 £000
DUE AFTER MORE THAN ONE YEAR	
Pension reimbursement debtor	908

Further information regarding the pension reimbursement debtor has been provided in note 16.

	2015 £000
DUE WITHIN ONE YEAR	
Trade debtors	1,390
Other debtors	380
Prepayments and accrued income	1,335
Deferred taxation	10
	3,115

11. CASH AND CASH EQUIVALENTS

	2015 £000
Cash at bank and in hand	2,343

12. CREDITORS: Amounts falling due within one year

	2015 £000
Trade creditors	553
Amounts owed to group undertakings	3,195
Amounts owed to other participating interests	106
Corporation tax	61
Other taxation and social security	430
Other creditors	72
Accruals and deferred income	841
	5,258

Amounts owed to group undertakings are unsecured and interest free.

13. FINANCIAL INSTRUMENTS

	2015 £000
FINANCIAL ASSETS	
Cash and receivables	5,420
FINANCIAL LIABILITIES	
Financial liabilities measured at amortised cost	(4,668)

Financial assets measured at amortised cost comprise cash and cash equivalents, trade and other debtors and accrued income.

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

14. DEFERRED TAXATION

	2015 £000
Credited to the income statement	10
AT END OF YEAR	**10**

The deferred tax asset is made up as follows:

	2015 £000
Short-term timing differences	10

15. CALLED UP SHARE CAPITAL

	2015 £
Allotted, called up and fully paid	
51 "A" Ordinary shares of £1 each	51
49 "B" Ordinary shares of £1 each	49
	100

The "A" and the "B" ordinary shares have equal voting rights per share, equal rights to dividends and equal rights to return of capital on winding up, as if they were constituted as one class of share capital.

16. PENSION COMMITMENTS

The following note provides supporting information in relation to the company's pension liabilities, but also reflects the valuation of pension related contractual assets held by the company. As these offsetting assets and liabilities are with disctinct bodies they are separated out within this note and on the face of the statement of financial position.

The company operates a defined benefit pension scheme, the Cheshire Pension Fund ("the fund"), with assets held in a separately administered fund.

The plan is a final salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement and are updated in line with the retail price index.

The benefit payments are made from trustee administered funds and the company does not operate any unfunded schemes.

Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the responsible parties. The Board of Trustees must be composed of representatives of the company and member-nominated trustees, as required under legislation and in accordance with the plan's regulations.

The valuation used in respect of the defined benefit scheme has been based on the most recent actuarial valuation at 31 March 2013 and was updated by the actuaries to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2015.

Scheme assets are stated at their market values based on bid-price for quoted securities, at the respective statement of financial position date and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The company expects to make contributions of £587,000 in the year to 31 December 2016.

The actual loss on the scheme's assets over the period was £217,000.

The amounts recognised in the statement of financial position at 31 December were as follows:

	2015 £000
Fair value of plan assets	11,001
Present value of plan liabilities	(11,909)
NET PENSION SCHEME LIABILITY	**(908)**

16. PENSION COMMITMENTS (continued)

The amounts recognised in the income statement were as follows:

	2015 £000
Current service cost	(395)
Interest on obligation	(274)
Interest income on plan assets	229
TOTAL	**(440)**

Reconciliation of the present value of plan liabilities were as follow:

	2015 £000
Present value of liabilities transferred in	(12,932)
Current service cost	(395)
Interest cost	(274)
Contributions by scheme participants	(84)
Changes in financial assumptions	1,776
CLOSING DEFINED BENEFIT OBLIGATION	**(11,909)**

As at the last valuation date, the present value of the defined benefit obligation was comprised solely of benefits relating to active employees, with a weighted average duration of 27 years.

Reconciliation of fair value of plan assets were as follows:

	2015 £000
Fair value of scheme assets transferred in	10,792
Interest income on plan assets	229
Return on plan assets (excluding amounts included in net interest)	(446)
Contributions by employer	342
Contributions by scheme participants	84
	11,001

The pension scheme has not invested in any of the group's own financial instruments nor in the properties or other assets used by the group.

16. PENSION COMMITMENTS (continued)

	2015 £000
ANALYSIS OF ACTUARIAL GAIN RECOGNISED IN OTHER COMPREHENSIVE INCOME	
Actual return less interest income included in net interest income	**(446)**
Changes in assumptions underlying the present value of the scheme liabilities	**1,776**
	1,330

The cumulative amount of actuarial gains recognised in the statement of comprehensive income was £1,330,000.

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2015 %
Discount rate	**3.90**
Future salary increases	**3.40**
Future pension increases	**2.50**
Inflation assumption (CPI)	**2.10**
Inflation assumption (RPI)	**3.10**
Mortality rates	
- for a male aged 65 now	**22.30**
- at 65 for a male aged 45 now	**24.10**
- for a female aged 65 now	**24.40**
- at 65 for a female member aged 45 now	**26.70**

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. The longevity assumptions are based on the Club Vita base tables with future assumptions from the 2013 CMI core model (assuming current rates of improvement have peaked) at a long-term improvement rate of 1.25%.

16. PENSION COMMITMENTS (continued)

Sensitivity analysis

In agreeing the discount rate used in the calculation of the present value of the pension scheme liabilities under IAS19, the directors acknowledge the high degree of judgement involved and the sensitivity of the calculations to a change in assumptions.

It is estimated that an increase in the discount rate of 0.1% would decrease scheme liabilities by £353,000 and a decrease in the discount rate would increase scheme liabilities by £353,000.

It is estimated that an increase in the salary increase rate of 0.1% would increase scheme liabilities by £180,000 and a decrease in the salary increase rate would decrease scheme liabilities by £180,000.

It is estimated that an increase in the pension increase rate of 0.1% would increase scheme liabilities by £164,000 and a decrease in the pension increase rate would decrease scheme liabilities by £164,000.

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit asset to significant actuarial assumptions the same method has been applied as when calculating the pension asset recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The directors also acknowledge their responsibilities for ensuring that actuarial assumptions are suitably updated to reflect changing economic conditions and they confirm that the 31 December 2015 assumptions have been carefully reviewed with the actuary.

16. PENSION COMMITMENTS (continued)

The major categories of scheme assets were as follows:

	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets %
Equity securities:				
Consumer	336	-	336	3%
Manufacturing	257	-	257	2%
Energy and utilities	66	-	66	1%
Financial institutions	331	-	331	3%
Health and care	89	-	89	1%
Information technology	987	-	987	9%
Other	45	-	45	0%
Private equity:				
All	-	579	579	5%
Real estate:				
UK property	-	870	870	8%
Overseas property	-	19	19	0%
Investment funds and unit trusts:				
Equities	1,395	-	1,395	13%
Bonds	2,985	769	3,754	34%
Hedge funds	-	1,454	1,454	13%
Other	-	584	584	5%
Cash and cash equivalents:				
All	-	236	236	2%

16. PENSION COMMITMENTS (continued)

Nature of benefits, regulatory framework and governance of the pension scheme

The scheme is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The scheme is operated under trust and, as such, the trustees of the scheme are responsible for operating the scheme and they have a statutory responsibility to act in accordance with the scheme's Interim Trust Deed and Rules, in the best interests of the beneficiaries of the scheme and UK legislation (including Trust law).

Risks to which the pension scheme exposes the company

Through its defined benefit pension plans the company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk
Some of the company pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK, where inflationary increases result in higher sensitivity to changes in life expectancy.

The company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the company's objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

The company has not changed the processes used to manage its risks from previous periods and does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2015 consists of equities and investment funds or unit trusts, although the company also invests in property and cash. The company believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities.

16. PENSION COMMITMENTS (continued)

The notes above reflect the net values of the company's pension liabilities and the assets held on its behalf by the Cheshire Pension Fund. In addition to those assets the company has another asset linked to the net pension deficit, as follows:

Contractual pension assurances

The company holds contracts which give it assurance that should additional employer pension costs need to be incurred in the future as a result of an actuarially assessed deficit on the pension fund, these additional costs will be indemnified and funded by Cheshire West and Chester Borough Council. The pension deficit set out within this note reflects the actuary's assessment of the value of such costs. While those costs reflect a liability to the company, the contractual guarantees represent an offsetting asset.

This asset is being fully recognised, as similar contractual guarantees provided by Cheshire West and Chester Borough Council to another Council owned company within its group were triggered and Cheshire West and Chester Borough Council has accepted responsibility for all relevant pension liabilities.

Changes in the value of these pension linked assets are based on estimates of their valuation rather than a known flow of transactions and as such movements in those values are reflected in the statement of comprehensive income.

	2015 £000
Contractual asset linked to pension liability	
Initial recognition of pension reimbursement debtor	2,140
Change in value during the period	(1,232)
PENSION REIMBURSEMENT DEBTOR AT 31 DECEMBER	**908**

	2015 £000
Net pension liability in the statement of financial position	
Deficit in the pension scheme	(908)
Pension reimbursement debtor	908
NET LIABILITY LINKED TO PENSIONS	**-**

In addition to the defined benefit pension scheme, the company also 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 £56,000. There were outstanding contributions totalling £nil payable to the scheme at the year end, which are included within other creditors.

17. RELATED PARTY TRANSACTIONS

The company hold contractual assurances with Cheshire West and Chester Borough Council in relation to pension costs which result in the recognition of a contractual pension reimbursement debtor on the company's statement of financial position. Further details of this arrangement are set out in note 16.

18. CONTROLLING PARTY

The immediate parent company of Cowest Services Limited is ENGIE Services Limited (formerly Cofely Workplace Limited), a company registered in England and Wales. ENGIE Services Limited (formerly Cofely Workplace Limited) owns 51% of the ordinary shares of the company and the remaining 49% of the ordinary shares are owned by Cheshire West and Chester Borough Council, a council in England and Wales.

The directors regard ENGIE S.A. as the ultimate parent company and controlling party of Cowest Services Limited. ENGIE S.A. is registered in France.

The parent undertaking of the smallest and largest group which includes the company for which consolidated financial statements are prepared is ENGIE S.A.

Copies of the group's consolidated financial statements may be obtained from:
ENGIE, 16 Rue de la Ville l'Eveque, 75383 Paris, Cedex 08, France.