Registered number: 09468531

COWEST SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

COWEST SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS	C Seward R Wynn D Mellor M Smithurst M Gibson
COMPANY SECRETARY	Cheshire West and Chester Borough Council
REGISTERED NUMBER	09468531
REGISTERED OFFICE	Wyvern House The Drumber Winsford CW7 1AH
INDEPENDENT AUDITOR	Ernst & Young LLP Citygate St James' Boulevard Newcastle-upon-Tyne NE1 4JD

COWEST SERVICES LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors present their strategic report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES 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 implemented IFRS 9 *'Financial Instruments'* and IFRS 15 *'Revenue from Contracts with Customers'* on 1 January 2018. Details of the recognition or measurement differences arising on the adoption of these standards are included in note 2.4 to these financial statements.

Turnover for the year under review was £15,693,000 *(2017: £15,949,000)* and profit before tax for the year was £266,000 *(2017 restated: loss of £721,000)*.

The business met its financial and operational targets during a successful year where a number of key strategic transformation projects were completed in the year. The Company also launched Qwest Energy, which provides affordable energy to local residents.

PRINCIPAL RISKS AND UNCERTAINTIES

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

External risks

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

Strategic risks

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

Organisation and management risks

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

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

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

FINANCIAL KEY PERFORMANCE INDICATORS

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

Turnover

The Company's turnover for the year totals £15,693,000 *(2017: £15,949,000)*, a decrease of £256,000 (2%) on the previous year.

Profit before tax

The Company's profit before tax for the year totals £266,000 *(2017 restated: loss of £721,000)*, an increase of £987,000 (137%) on the previous year.

Net liabilities

The Company's net liabilities at the year end stand at £1,625,000 *(2017 restated: £2,053,000)*, a decrease of £428,000 (21%) on the previous year. This decrease in net liabilities is a result of the Company's total comprehensive income for the financial year.

This report was approved by the Board on 24 July 2019 and signed on its behalf.

M Smithurst
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £214,000 *(2017 restated: loss of £674,000).*

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 *(2017: £nil).*

DIRECTORS

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

C Seward
G Sheret (resigned 1 January 2018)
R Wynn
O Fashade (resigned 20 February 2018)
A Mitton (resigned 5 September 2018)
D Mellor (appointed 20 February 2018)
M Smithurst (appointed 1 January 2018)
M Gibson (appointed 8 November 2018)

FUTURE DEVELOPMENTS

The Company is continuing to explore opportunities for growth and expects to increase revenues in 2019 through a mixture of organic growth focussed on offering professional services to local authorities and diversifying into new product offers such as housing.

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, cash flow risk or foreign exchange risk. Owing to the nature of the Company's business and the assets and liabilities contained within the balance sheet, the financial risks the Directors consider relevant to the Company are credit risk and liquidity risk. The Company has not used financial instruments to manage its exposure to these risks.

Credit risk

Credit risk arises on the Company's principal financial assets, which are cash at bank, trade and other debtors and amounts owed by participating interests. 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 participating interests is not considered to be significant, given the strong credit rating of the counterparty.

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 ongoing operations and future developments, the Company has access to banking facilities and loans from group companies.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

This report was approved by the Board on 24 July 2019 and signed on its behalf.

M Smithurst
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

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 audited 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 audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

Opinion

We have audited the financial statements of Cowest Services Limited (the 'company') for the year ended 31 December 2018 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 21, 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 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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
29 July 2019

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	*As restated* *2017* *£000*
Turnover	4	**15,693**	*15,949*
Cost of sales		**(10,678)**	*(11,152)*
Gross profit		**5,015**	*4,797*
Administrative expenses		**(4,682)**	*(5,440)*
Operating profit/(loss)	5	**333**	*(643)*
Other finance costs	8	**(67)**	*(78)*
Profit/(loss) before tax		**266**	*(721)*
Tax on profit/(loss)	9	**(52)**	*47*
Profit/(loss) for the financial year		**214**	*(674)*

The notes on pages 13 to 45 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	*As restated* *2017* *£000*
Profit/(loss) for the financial year		**214**	*(674)*
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Change in value of pension reimbursement debtor	19	**(863)**	*(450)*
Actuarial gain on defined benefit schemes	19	**1,077**	*428*
		214	*(22)*
Total comprehensive income/(loss) for the year		**428**	*(696)*

The notes on pages 13 to 45 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	*As restated* *2017* *£000*
Fixed assets			
Intangible assets	10	**74**	-
Tangible assets	11	**48**	-
		122	-
Current assets			
Debtors: amounts falling due after more than one year	13	**1,645**	*2,508*
Debtors: amounts falling due within one year	13	**3,595**	*3,758*
Cash at bank and in hand		**3,327**	*646*
		8,567	*6,912*
Creditors: amounts falling due within one year	14	**(8,668)**	*(6,451)*
Net current (liabilities)/assets		**(101)**	*461*
Total assets less current liabilities		**21**	*461*
Deferred taxation	16	**(1)**	*(6)*
Net assets excluding pension liability		**20**	*455*
Pension liability	19	**(1,645)**	*(2,508)*
Net liabilities		**(1,625)**	*(2,053)*
Capital and reserves			
Called up share capital	17	**-**	-
Profit and loss account	18	**(1,625)**	*(2,053)*
Total deficit		**(1,625)**	*(2,053)*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 24 July 2019.

M Smithurst
Director

The notes on pages 13 to 45 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity/ (deficit)
	£000	£000	£000
At 1 January 2017 (as previously stated)	-	342	342
Effect of adoption of new standards	-	(1,699)	(1,699)
At 1 January 2017 (as restated)	-	(1,357)	(1,357)
Comprehensive (loss)/income for the year			
Loss for the financial year (as restated)	-	(674)	(674)
Change in value of pension reimbursement debtor	-	(450)	(450)
Actuarial gain on defined benefit schemes	-	428	428
Other comprehensive loss for the year	-	(22)	(22)
Total comprehensive loss for the year	-	(696)	(696)
At 1 January 2018 (as restated)	-	(2,053)	(2,053)
Comprehensive income/(loss) for the year			
Profit for the financial year	-	214	214
Change in value of pension reimbursement debtor	-	(863)	(863)
Actuarial gain on defined benefit schemes	-	1,077	1,077
Other comprehensive income for the year	-	214	214
Total comprehensive income for the year	-	428	428
At 31 December 2018	-	(1,625)	(1,625)

The notes on pages 13 to 45 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The financial statements of Cowest Services Limited for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 24 July 2019 and the statement of financial position was signed on the Board's behalf by M Smithurst.

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, 1 Place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

The Company is itself a subsidiary company and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

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;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 GOING CONCERN

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

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company applied IFRS 9 *'Financial Instruments'* and IFRS 15 *'Revenue from Contracts with Customers'* for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below and the significant accounting policies meeting those requirements are described in the relevant policies.

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 9

IFRS 9 replaces IAS 39 *'Financial Instruments: Recognition and Measurement'* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company has applied IFRS 9 retrospectively, however there has been no material impact on the Company's financial statements as a result of adopting this standard from 1 January 2018.

IFRS 15

IFRS 15 supersedes IAS 11 *'Construction Contracts'*, IAS 18 *'Revenue'* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company has adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Company did not apply any of the other available optional practical expedients.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The Company has prepared individual financial statements which comply with IFRS 9 and IFRS 15 (applicable for accounting periods beginning on or after 1 January 2018).

In preparing these financial statements, the Company has started from an opening statement of financial position as at 1 January 2017, the Company's date of transition to IFRS 9 and IFRS 15 and made those changes in accounting policies and other restatements required for the first-time adoption of these standards. As such, this note explains the principal adjustments made by the Company in restating its statement of financial position as at 1 January 2017 prepared under IAS 39 and IAS 18 and its previously published financial statements for the year ended 31 December 2017.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Statement of financial position (extract)

	31 December 2017 As previously stated £000	IFRS 15 £000	31 December 2017 As restated £000
FIXED ASSETS			
Tangible assets	348	(348)	-
	348	(348)	-
CURRENT ASSETS			
Debtors	8,336	(2,070)	6,266
Cash at bank and in hand	646	-	646
TOTAL CURRENT ASSETS	8,982	(2,070)	6,912
Creditors: amounts falling due within one year	(6,457)	6	(6,451)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,873	(2,412)	461
Deferred taxation	-	(6)	(6)
Pension liability	(2,508)	-	(2,508)
NET ASSETS/(LIABILITIES)	365	(2,418)	(2,053)
CAPITAL AND RESERVES			
Profit and loss account	365	(2,418)	(2,053)
	365	(2,418)	(2,053)

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

	1 January 2017 As previously stated £000	IFRS 15 £000	1 January 2017 As restated £000
FIXED ASSETS			
Tangible assets	110	(110)	-
	110	(110)	-
CURRENT ASSETS			
Debtors	6,842	(1,589)	5,253
Cash at bank and in hand	1,782	-	1,782
TOTAL CURRENT ASSETS	8,624	(1,589)	7,035
Creditors: amounts falling due within one year	(5,434)	-	(5,434)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,300	(1,699)	1,601
Pension liability	(2,958)	-	(2,958)
NET ASSETS/(LIABILITIES)	342	(1,699)	(1,357)
CAPITAL AND RESERVES			
Profit and loss account	342	(1,699)	(1,357)
	342	(1,699)	(1,357)

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Income statement and statement of comprehensive income (extract)

	2017 As previously stated £000	IFRS 15 £000	2017 As restated £000
Turnover	15,949	-	15,949
Cost of sales	(11,241)	89	(11,152)
GROSS PROFIT	4,708	89	4,797
Administrative expenses	(4,580)	(860)	(5,440)
OPERATING PROFIT/(LOSS)	128	(771)	(643)
Other finance costs	(78)	-	(78)
PROFIT/(LOSS) BEFORE TAX	50	(771)	(721)
Tax on profit/(loss)	(5)	52	47
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	45	(719)	(674)
OTHER COMPREHENSIVE LOSS:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Actuarial gain on defined benefit schemes	428	-	428
Change in value of pension reimbursement debtor	(450)	-	(450)
	(22)	-	(22)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	23	(719)	(696)

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Explanation of changes to previously reported profit and equity:

In preparation for the implementation of IFRS 15, a review of 'costs to fulfil a contract' was performed to confirm whether previously capitalised costs met the following criteria:

- costs relate directly to a contract or to an anticipated contract the company can specifically identify;

- costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and

- costs are expected to be recovered.

This review concluded that certain costs (including redundancy and termination costs) did not fully meet the above criteria and consequently £719,000 (after tax) was expensed in the income statement for 2017 and £1,699,000 relating to prior periods has been reflected by adjusting the profit and loss account brought forward.

The Company has not identified any other impacts resulting from the implementation of IFRS 15.

2.5 REVENUE

For all contracts with customers the Company recognises revenue when performance obligations have been satisfied. For the Company's facilities management 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 exits 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.

Sometimes the Company's contracts are revised for changes to customer requirements. A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract and exists when the parties to a contract approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the contract. A contract modification can be approved in writing, by oral agreement, or implied by customary business practices.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 REVENUE (CONTINUED)

If the parties to the contract have not approved a contract modification, revenue is recognised in accordance with the existing contractual terms. Judgement is applied in relation to the accounting for contract modifications where the final terms or legal contracts have not been agreed prior to the period end as management needs to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods.

Contract modifications are accounted for as a separate contract if the scope of the contract changes due to the addition of promised goods or services that are distinct and the price of the contract changes by an amount of consideration that reflects the stand-alone selling price of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

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, contractual promises to transfer distinct goods or services to a customer. For facilities management contracts with several components, judgement 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 the facilities management 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 is one performance obligation.

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.

Variable payments include discounts, rebates, refunds, bonuses, performance bonuses or charges for the occurrence (or lack of occurrence) of a future event and are recognised as revenue (adjusted upwards or downwards) only when it is highly probable that a significant reversal in the revenue recognised will not occur when the associated uncertainty is subsequently resolved. The Company considers highly probable to mean being able to evidence with 80-90% certainty.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 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. The Company typically applies an observable price or a cost-plus margin approach.

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 the Company's facilities management 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.

Under the input method the Company recognise revenue based on its efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended or costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation. If the entity's efforts or inputs are expended evenly throughout the performance period, it may be appropriate for the entity to recognise revenue on a straight-line basis.

If a performance obligation is not satisfied over time, revenue is recognised at the point in time when control of the goods or services passes to the customer. This may be when the Company has the right to payment of the asset, at the point the Company has transferred physical possession of the asset, or the customer has accepted the asset. Management applies judgement to determine when a customer obtains control of a promised asset and the Company has satisfied a performance obligation.

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. ACCOUNTING POLICIES (CONTINUED)

2.6 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

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

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

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').

Plan assets are measure at fair value. 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'.

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. ACCOUNTING POLICIES (CONTINUED)

2.7 TAXATION

The tax for the year comprises current and deferred tax. Tax is recognised in the income statement, 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 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 is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following bases:.

Computer software	-	20 %

2.9 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.9 TANGIBLE FIXED ASSETS (CONTINUED)

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:

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 the income statement.

2.10 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.

2.11 VALUATION OF INVESTMENTS

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

2.12 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.

2.13 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.

2.14 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)

2.15 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 exits 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 facilities management contracts with several components, judgement 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 the facilities management 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 is one performance obligation.

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. Where these are not directly observable, they are estimated based on expected cost plus margin.

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)

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 19.

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. 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/(LOSS)

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

	2018	*2017*
	£000	*£000*
Amortisation of intangible assets	**5**	*-*
Defined contribution pension cost	**40**	*21*
Defined benefit pension cost	**499**	*527*

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 year *(2017: £nil)*.

6. AUDITOR'S REMUNERATION

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

	2018 £000	*2017* *£000*
Fees for the audit of the Company	13	*13*

7. EMPLOYEES

Staff costs were as follows:

	2018 £000	*2017* *£000*
Wages and salaries	2,848	*2,634*
Social security costs	188	*207*
Cost of defined benefit scheme	499	*527*
Cost of defined contribution scheme	40	*21*
	3,575	*3,389*

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

	2018 Number	*2017* *Number*
Management, administration and operations	192	*205*

8. OTHER FINANCE COSTS

	2018 £000	*2017* *£000*
Net interest on net defined benefit pension liability	67	*78*

9. TAXATION

	2018 £000	*As restated* *2017* *£000*
CORPORATION TAX		
Current tax on profit/(loss) for the year	**51**	*(58)*
Adjustments in respect of previous periods	**6**	-
	57	*(58)*
TOTAL CURRENT TAX	**57**	*(58)*
DEFERRED TAX		
Origination and reversal of timing differences	**1**	*11*
Adjustments in respect of previous periods	**(6)**	-
TOTAL DEFERRED TAX	**(5)**	*11*
TAX ON PROFIT/(LOSS)	**52**	*(47)*

9. TAXATION (CONTINUED)

FACTORS AFFECTING TAX EXPENSE/(CREDIT) FOR THE YEAR

The tax assessed for the year is higher than *(2017: lower than)* the standard rate of corporation tax in the UK of 19.00% *(2017: 19.25%)*. The differences are explained below:

	2018 £000	*As restated* *2017* *£000*
Profit/(loss) before tax	**266**	*(721)*
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**51**	*(139)*
EFFECTS OF:		
Expenses not deductible for tax purposes	-	*15*
Adjustments to tax in respect of prior periods	**1**	-
Decrease in tax in respect of the defined benefit pension scheme	-	*(17)*
Unrecognised deferred tax	-	*98*
Change to tax rates	-	*(4)*
TOTAL TAX EXPENSE/(CREDIT) FOR THE YEAR	**52**	*(47)*

FACTORS THAT MAY AFFECT FUTURE TAX EXPENSES

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

Changes to the UK corporation tax rates were substantively enacted as part of the Finance (No. 2) Act 2015 (on 26 October 2015) and the Finance Act 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. This will reduce the Company's tax expenses accordingly.

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

10. INTANGIBLE ASSETS

	Computer software £000
COST	
Additions	79
At 31 December 2018	79
AMORTISATION	
Charge for the year	5
At 31 December 2018	5
NET BOOK VALUE	
At 31 December 2018	74
At 31 December 2017	-

11. TANGIBLE ASSETS

	Assets under construction £000
COST	
At 1 January 2018 (as previously stated)	348
Effect of adoption of new standards	(348)
At 1 January 2018 (as restated)	-
Additions	48
At 31 December 2018	48
NET BOOK VALUE	
At 31 December 2018	48
At 31 December 2017 (as restated)	-

12. FIXED ASSET INVESTMENTS

The cost and net book value of the Company's investment in subsidiary companies is £1 *(2017: £1)*.

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

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Qwest Services Limited	Ordinary	100%

The Company was incorporated in England and Wales.

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

13. DEBTORS

	2018	*2017*
	£000	*£000*
DUE AFTER MORE THAN ONE YEAR		
Pension reimbursement debtor	**1,645**	*2,508*

Further information regarding the pension reimbursement debtor has been provided in note 19.

		As restated
	2018	*2017*
	£000	*£000*
DUE WITHIN ONE YEAR		
Trade debtors	**37**	*76*
Amounts owed by group undertakings	**-**	*8*
Amounts owed by other participating interests	**1,988**	*2,234*
Other debtors	**45**	*-*
Prepayments and accrued income	**1,491**	*1,303*
Tax recoverable	**34**	*137*
	3,595	*3,758*

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		As restated
	2018	*2017*
	£000	*£000*
Trade creditors	**158**	*986*
Amounts owed to group undertakings	**6,231**	*3,711*
Other taxation and social security	**245**	*125*
Other creditors	**41**	*82*
Accruals and deferred income	**1,993**	*1,547*
	8,668	*6,451*

Amounts owed to group undertakings are unsecured and interest free.

15. FINANCIAL INSTRUMENTS

	2018 £000	*As restated* *2017* *£000*
FINANCIAL ASSETS		
Cash and receivables	**6,800**	*4,235*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(7,609)**	*(5,497)*

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

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

16. DEFERRED TAXATION

	2018 £000	*2017* *£000*
At beginning of year	**(6)**	*5*
Credited/(charged) to the income statement	**5**	*(11)*
AT END OF YEAR	**(1)**	*(6)*

The provision for deferred taxation is made up as follows:

	2018 £000	*2017* *£000*
Accelerated capital allowances	**(7)**	*(13)*
Short-term timing differences	**6**	*7*
	(1)	*(6)*

17. CALLED UP SHARE CAPITAL

	2018 £	*2017* *£*
ALLOTTED, CALLED UP AND FULLY PAID		
51 *(2017: 51)* "A" Ordinary shares of £1.000 each	**51**	*51*
49 *(2017: 49)* "B" Ordinary shares of £1.000 each	**49**	*49*
	100	*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 constitutes as one class of share capital.

18. RESERVES

Profit and loss account

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

19. 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 distinct 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 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 2016 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 2018.

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 £331,000 in the year to 31 December 2019.

Reconciliation of present value of plan liabilities:

	2018 £000	*2017* *£000*
RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES		
At the beginning of the year	**2,508**	*2,958*
Current service cost	**499**	*527*
Interest income	**(414)**	*(392)*
Interest cost	**481**	*470*
Remeasurements	**(1,077)**	*(428)*
Employer contributions	**(352)**	*(627)*
AT THE END OF THE YEAR	**1,645**	*2,508*

19. PENSION COMMITMENTS (CONTINUED)

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

	2018 £000	*2017 £000*
Fair value of plan assets	**16,164**	*15,752*
Present value of plan liabilities	**(17,809)**	*(18,260)*
NET PENSION SCHEME LIABILITY	**(1,645)**	*(2,508)*

The amounts recognised in the income statement were as follows:

	2018 £000	*2017 £000*
Current service cost	**(499)**	*(527)*
Interest on obligation	**(481)**	*(470)*
Interest income on plan assets	**414**	*392*
TOTAL	**(566)**	*(605)*

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

	2018 £000	*2017 £000*
Opening defined benefit obligation	**(18,260)**	*(16,533)*
Current service cost	**(499)**	*(527)*
Interest cost	**(481)**	*(470)*
Contributions by scheme participants	**(74)**	*(90)*
Changes in financial assumptions	**1,424**	*(474)*
Changes in demographic assumptions	**-**	*(305)*
Other experience movements	**-**	*75*
Benefits paid	**81**	*64*
CLOSING DEFINED BENEFIT OBLIGATION	**(17,809)**	*(18,260)*

19. PENSION COMMITMENTS (CONTINUED)

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 25 years.

Reconciliation of fair value of plan assets were as follows:

	2018 £000	*2017* *£000*
Opening fair value of scheme assets	15,752	*13,575*
Interest income on plan assets	414	*392*
Return on plan assets (excluding amounts included in net interest)	(347)	*1,132*
Contributions by employer	352	*627*
Contributions by scheme participants	74	*90*
Benefits paid	(81)	*(64)*
	16,164	*15,752*

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.

	2018 £000	*2017* *£000*
ANALYSIS OF ACTUARIAL LOSS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actual return less interest income included in net interest expense	(347)	*1,132*
Changes in assumptions underlying the present value of the scheme liabilities	1,424	*(779)*
Other experience movements	-	*75*
	1,077	*428*

The cumulative amount of actuarial gains recognised in the statement of comprehensive income was £1,053,000 *(2017: losses of £24,000).*

19. PENSION COMMITMENTS (CONTINUED)

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

	2018	*2017*
	%	*%*
Discount rate	**2.90**	*2.60*
Future salary increases	**2.70**	*2.70*
Future pension increases	**2.40**	*2.40*
Inflation assumption (CPI)	**2.40**	*2.40*
Inflation assumption (RPI)	**3.40**	*3.40*
Mortality rates		
- for a male aged 65 now	**22.30**	*22.30*
- at 65 for a male aged 45 now	**23.90**	*23.90*
- for a female aged 65 now	**24.50**	*24.50*
- at 65 for a female member aged 45 now	**26.50**	*26.50*

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%.

19. PENSION COMMITMENTS (CONTINUED)

Sensitivity analysis

In agreeing the discount rate used in the calculation of the present value of the pension scheme liabilities under IAS 19, the Directors acknowledge the high degree of judgment involved and the sensitivity of the calculations to a change in assumptions.

It is estimated that an increase in the discount rate of 0.5% would decrease scheme liabilities by £2,426,000 and a decrease in the discount rate of 0.5% would increase scheme liabilities by £2,426,000.

It is estimated that a 1 year increase in the member life expectancy would increase scheme liabilities by £712,000 and a decrease in the member life expectancy of 1 year would decrease scheme liabilities by £712,000.

It is estimated that an increase in the salary increase rate of 0.5% would increase scheme liabilities by £771,000 and a decrease in the salary increase rate of 0.5% would decrease scheme liabilities by £771,000.

It is estimated that an increase in the pension increase rate of 0.5% would increase scheme liabilities by £1,597,000 and a decrease in the pension increase rate of 0.5% would decrease scheme liabilities by £1,597,000.

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 2018 assumptions have been carefully reviewed with the actuary.

19. PENSION COMMITMENTS (CONTINUED)

The major categories of scheme assets as at 31 December 2018 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	261	-	261	2%
Manufacturing	201	-	201	1%
Energy and utilities	37	-	37	0%
Financial institutions	311	-	311	2%
Health and care	93	-	93	1%
Information technology	970	-	970	6%
Other	71	-	71	0%
Private equity:				
All	-	624	624	4%
Real estate:				
UK property	-	1,384	1,384	9%
Overseas property	-	25	25	0%
Investment funds and unit trusts:				
Equities	1,597	-	1,597	10%
Bonds	6,065	1,176	7,241	45%
Hedge funds	-	2,274	2,274	14%
Other	-	692	692	4%
Cash and cash equivalents:				
All	-	385	385	2%

19. PENSION COMMITMENTS (CONTINUED)

The major categories of scheme assets as at 31 December 2017 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	327	-	327	2%
Manufacturing	218	-	218	1%
Energy and utilities	31	-	31	0%
Financial institutions	288	-	288	2%
Health and care	96	-	96	1%
Information technology	1,113	-	1,113	7%
Other	57	-	57	0%
Private equity				
All	-	503	503	3%
Real estate				
UK property	-	1,186	1,186	8%
Overseas property	-	24	24	0%
Investment funds and unit trusts				
Equities	1,631	-	1,631	10%
Bonds	5,904	1,124	7,028	45%
Hedge funds	-	1,998	1,998	13%
Other	-	695	695	4%
Cash and cash equivalents				
All	-	557	557	4%

19. 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 2018 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.

19. 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.

	2018 £000	*2017* *£000*
Contractual asset linked to pension liability		
At 1 January	2,508	*2,958*
Change in value during the year	(863)	*(450)*
PENSION REIMBURSEMENT DEBTOR AT 31 DECEMBER	1,645	*2,508*

	2018 £000	*2017* *£000*
Net pension liability in the statement of financial position		
Deficit in the pension scheme	(1,645)	*(2,508)*
Pension reimbursement debtor	1,645	*2,508*
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 £40,000 *(2017: £21,000)*. There were outstanding contributions totalling £38,000 *(2017: £49,000)* payable to both the defined contribution and defined benefit schemes at the year end, which are included within other creditors.

20. RELATED PARTY TRANSACTIONS

The Company holds 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 19.

The Company also had an outstanding debtor balance of £1,988,000 *(2017: £2,234,000)* with Cheshire West and Chester Borough Council. This is included in note 13.

21. CONTROLLING PARTY

The immediate parent company of Cowest Services Limited is ENGIE Services Limited, a company registered 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, 1 Place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.