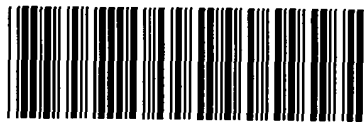


Registered number: 09468531

COWEST SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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COWEST SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

C Seward
R Wynn
A Mitton
D Mellor
M Smithurst

COMPANY SECRETARY

Cheshire West and Chester Borough Council

REGISTERED NUMBER

09468531

REGISTERED OFFICE

Wyvern House
The Drummer
Winsford
CW7 1AH

INDEPENDENT AUDITORS

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle-upon-Tyne
NE1 4JD

COWEST SERVICES LIMITED

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COWEST SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

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

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of 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.

Turnover for the year under review was £15,949,000 (2016: £12,449,000) and profit before tax for the year was £50,000 (2016: loss of £91,000).

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 delivery of the new digital programme for Cheshire West and Chester Borough Council was a key strategic milestone for the company. The new platform which went live in Q1 2017 provided significant enhancements in customer experience for residents and boosts channel shift capability.

In Q4 the company welcomed 4 staff from CWAC as the energy team transferred into CoWest. This growth gives the company a wider range of services to strengthen its growth offer to other local authorities.

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.

COWEST SERVICES LIMITED

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

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 £15,949,000 (2016: £12,449,000), an increase of £3,500,000 (28%) on the previous year.

Profit before tax

The company's profit before tax for the year totals £50,000 (2016: loss of £91,000), an increase of £141,000 (155%) on the previous year.

Net assets

The company's net assets at the year end stand at £365,000 (2016: £342,000), an increase of £23,000 (7%) on the previous period. This increase is a result of the company's total comprehensive income for the financial year.

This report was approved by the Board on 13 August 2018 and signed on its behalf.



R Wynn
Director

COWEST SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £45,000 (2016: loss £126,000).

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

DIRECTORS

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

M Gallacher (resigned 9 February 2017)
N Lovett (resigned 9 February 2017)
C Seward
G Sheret (resigned 1 January 2018)
R Wynn
O Fashade (appointed 9 February 2017, resigned 20 February 2018)
A Mitton (appointed 9 February 2017)
D Mellor (appointed 20 February 2018)
M Smithurst (appointed 1 January 2018)

FUTURE DEVELOPMENTS

The growth of the company remains a key agenda item in 2018 and the business is looking to increase its customer base and widen service mix, with both energy and digitalisation being offered alongside the current services provided. The company expects to launch a white label energy company in 2018.

FINANCIAL INSTRUMENTS

The company monitors its exposure to risk on an on-going basis. The company's activities do not expose it to any material price risk, cash flow risk or foreign exchange risk. Owing to the nature of the company's business and the assets and liabilities contained within the balance sheet, the financial risks the directors consider relevant to the company are credit risk and liquidity risk. The company has not used financial instruments to manage its exposure to these risks.

Credit risk

Credit risk arises on the company's principal financial assets, which are cash at bank, 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 on-going operations and future developments, the company has access to banking facilities and loans from group companies.

COWEST SERVICES LIMITED

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

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 approval of these financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This report was approved by the Board on 13 August 2018 and signed on its behalf.



R Wynn
Director

COWEST SERVICES LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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

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

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

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

Opinion

We have audited the financial statements of Cowest Services Limited for the year ended 31 December 2017 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its 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.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

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.

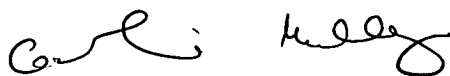
Auditor's responsibilities for the audit of the financial statements

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.



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

COWEST SERVICES LIMITED

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

	Note	2017 £000	2016 £000
Turnover	4	15,949	12,449
Cost of sales		(11,241)	(7,357)
Gross profit		4,708	5,092
Administrative expenses		(4,580)	(5,148)
Operating profit/(loss)	5	128	(56)
Other finance costs	8	(78)	(35)
Profit/(loss) before tax		50	(91)
Tax on profit/(loss)	9	(5)	(35)
Profit/(loss) for the financial year		45	(126)

The notes on pages 13 to 36 form part of these financial statements.

COWEST SERVICES LIMITED

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

	Note	2017 £000	2016 £000
Profit/(loss) for the financial year		45	(126)
<hr/>			
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Change in value of pension reimbursement debtor		(450)	2,050
Actuarial gain/(loss) on defined benefit schemes		428	(1,782)
		<hr/> (22)	<hr/> 268
Total comprehensive income for the year		<hr/> 23 <hr/>	<hr/> 142 <hr/>

The notes on pages 13 to 36 form part of these financial statements.

COWEST SERVICES LIMITED
REGISTERED NUMBER: 09468531

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	10	348	110
Investments	11	-	-
		<u>348</u>	<u>110</u>
Current assets			
Debtors: amounts falling due after more than one year	12	2,508	2,958
Debtors: amounts falling due within one year	12	5,828	3,884
Cash at bank and in hand	13	646	1,782
		<u>8,982</u>	<u>8,624</u>
Creditors: amounts falling due within one year		<u>(6,457)</u>	<u>(5,434)</u>
Net current assets		<u>2,525</u>	<u>3,190</u>
Total assets less current liabilities		<u>2,873</u>	<u>3,300</u>
Net assets excluding pension liability		<u>2,873</u>	<u>3,300</u>
Pension liability	19	(2,508)	(2,958)
Net assets		<u><u>365</u></u>	<u><u>342</u></u>
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account	18	365	342
Total equity		<u><u>365</u></u>	<u><u>342</u></u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 13 August 2018.

R. Wynn

R Wynn
Director

The notes on pages 13 to 36 form part of these financial statements.

COWEST SERVICES LIMITED

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	-	200	200
Comprehensive loss for the year			
Loss for the financial year	-	(126)	(126)
Change in value of pension reimbursement debtor	-	2,050	2,050
Actuarial loss on defined benefit schemes	-	(1,782)	(1,782)
Other comprehensive income for the year	-	268	268
Total comprehensive income for the year	-	142	142
At 1 January 2017	-	342	342
Comprehensive loss for the year			
Profit for the financial year	-	45	45
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 income for the year	-	23	23
At 31 December 2017	-	365	365

The notes on pages 13 - 36 form part of these financial statements.

COWEST SERVICES LIMITED

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

1. GENERAL INFORMATION

The financial statements of Cowest Services Limited for the year ended 31 December 2017 were authorised for issue by the Board of directors on 13 August 2018 and the statement of financial position was signed on the Board's behalf by R Wynn.

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 Drummer, Winsford, CW7 1AH.

The results of the company are included in the consolidated financial statements of ENGIE S.A., which are available from ENGIE, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense Cedex, France.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

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

The 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 requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

COWEST SERVICES LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

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 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.

COWEST SERVICES LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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.

2.7 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.

2.8 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.

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.

2.9 Debtors

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

COWEST SERVICES LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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.

COWEST SERVICES LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.12 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.

2.13 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'.

COWEST SERVICES LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Pensions (continued)

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.

2.14 Taxation

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

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

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

- 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.

COWEST SERVICES LIMITED

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

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

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

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

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.

COWEST SERVICES LIMITED

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

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

	2017 £000	2016 £000
Defined contribution pension cost	21	14
Defined benefit pension cost	527	778

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 (2016: £nil).

COWEST SERVICES LIMITED

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

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:

	2017 £000	2016 £000
Fees for the audit of the company	13	12

7. EMPLOYEES

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	2,634	2,762
Social security costs	207	192
Cost of defined benefit scheme	527	778
Cost of defined contribution scheme	21	14
	3,389	3,746

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

	2017 Number	2016 Number
Management, administration and operations	205	227

8. OTHER FINANCE COSTS

	2017 £000	2016 £000
Net interest on net defined benefit pension liability	78	35

COWEST SERVICES LIMITED

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

9. TAXATION

	2017 £000	2016 £000
CORPORATION TAX		
Current tax on profit/(loss) for the year	(6)	30
TOTAL CURRENT TAX	<u>(6)</u>	<u>30</u>
DEFERRED TAX		
Origination and reversal of timing differences	11	4
Changes to tax rates	-	1
TOTAL DEFERRED TAX	<u>11</u>	<u>5</u>
TAX ON PROFIT/(LOSS)	<u>5</u>	<u>35</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

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

	2017 £000	2016 £000
Profit/(loss) before tax	<u>50</u>	<u>(91)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	10	(18)
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1	-
Decrease in tax in respect of the defined benefit pension scheme	(4)	(356)
Unrecognised deferred tax	-	339
Change to tax rates	(2)	70
TOTAL TAX CHARGE FOR THE YEAR	<u>5</u>	<u>35</u>

COWEST SERVICES LIMITED

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

9. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of UK corporation tax for the period was 19.25% (2016: 20.00%). A reduction in the rate to 17% from 1 April 2020 was substantively enacted prior to the balance sheet date and has been applied to the company's deferred tax balance at the balance sheet date.

10. TANGIBLE ASSETS

	Assets under construction £000
COST	
At 1 January 2017	110
Additions	238
At 31 December 2017	<u>348</u>
NET BOOK VALUE	
At 31 December 2017	<u>348</u>
At 31 December 2016	<u>110</u>

11. FIXED ASSET INVESTMENTS

The cost and net book value of the company's investment in subsidiary companies is £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 Drummer, Winsford, CW7 1AH.

COWEST SERVICES LIMITED

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

12. DEBTORS

	2017	2016
	£000	£000
DUE AFTER MORE THAN ONE YEAR		
Pension reimbursement debtor	2,508	2,958

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

	2017	2016
	£000	£000
DUE WITHIN ONE YEAR		
Trade debtors	76	124
Amounts owed by group undertakings	8	5
Amounts owed by other participating interests	2,234	1,075
Other debtors	2,128	1,592
Prepayments and accrued income	1,303	1,083
Tax recoverable	79	-
Deferred taxation	-	5
	5,828	3,884

13. CASH AND CASH EQUIVALENTS

	2017	2016
	£000	£000
Cash at bank and in hand	646	1,782

COWEST SERVICES LIMITED

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

14. CREDITORS: Amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	986	348
Amounts owed to group undertakings	3,711	3,166
Corporation tax	-	30
Other taxation and social security	125	333
Other creditors	82	11
Accruals and deferred income	1,547	1,546
Deferred tax	6	-
	6,457	5,434

Amounts owed to group undertakings are unsecured and interest free.

15. FINANCIAL INSTRUMENTS

	2017	2016
	£000	£000
FINANCIAL ASSETS		
Cash and receivables	6,357	5,629
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(5,497)	(4,442)

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.

COWEST SERVICES LIMITED

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

16. DEFERRED TAXATION

	2017 £000	2016 £000
At beginning of year	5	10
Charged to the income statement	(11)	(5)
AT END OF YEAR	(6)	5

The deferred taxation balance is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(13)	(3)
Short-term timing differences	7	8

17. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
51 "A" Ordinary shares of £1 each	51	51
49 "B" Ordinary shares of £1 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.

COWEST SERVICES LIMITED

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

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 2017.

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 £402,000 in the year to 31 December 2018.

The actual return on the scheme's assets over the year was £1,524,000 (2016: £1,899,000).

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
RECONCILIATION OF NET DEFINED BENEFIT LIABILITY		
At the beginning of the year	2,958	908
Current service cost	527	530
Interest income	(392)	(447)
Interest cost	470	482
Remeasurements	(428)	1,782
Employer contributions	(627)	(545)
Past service cost	-	248
AT THE END OF THE YEAR	2,508	2,958

COWEST SERVICES LIMITED

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

19. PENSION COMMITMENTS (CONTINUED)

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

	2017 £000	2016 £000
Fair value of plan assets	15,752	13,575
Present value of plan liabilities	(18,260)	(16,533)
NET PENSION SCHEME LIABILITY	(2,508)	(2,958)

The amounts recognised in the income statement were as follows:

	2017 £000	2016 £000
Current and past service cost	(527)	(778)
Interest on obligation	(470)	(482)
Interest income on plan assets	392	447
TOTAL	(605)	(813)

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

	2017 £000	2016 £000
Opening defined benefit obligation	(16,533)	(11,909)
Current service cost	(527)	(530)
Interest cost	(470)	(482)
Contributions by scheme participants	(90)	(130)
Changes in financial assumptions	(474)	(3,240)
Changes in demographic assumptions	(305)	-
Other experience movements	75	6
Past service cost	-	(248)
Benefits paid	64	-
CLOSING DEFINED BENEFIT OBLIGATION	(18,260)	(16,533)

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.

COWEST SERVICES LIMITED

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

19. PENSION COMMITMENTS (CONTINUED)

Reconciliation of fair value of plan assets were as follows:

	2017 £000	2016 £000
Opening fair value of scheme assets	13,575	11,001
Interest income on plan assets	392	447
Return on plan assets (excluding amounts included in net interest)	1,132	1,452
Contributions by employer	627	545
Contributions by scheme participants	90	130
Benefits paid	(64)	-
	15,752	13,575

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.

	2017 £000	2016 £000
ANALYSIS OF ACTUARIAL GAIN/(LOSS) RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actual return less interest income included in net interest expense	1,132	1,452
Changes in assumptions underlying the present value of the scheme liabilities	(779)	(3,240)
Other experience movements	75	6
	428	(1,782)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income was £24,000 (2016: losses of £452,000).

COWEST SERVICES LIMITED

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

19. PENSION COMMITMENTS (CONTINUED)

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

	2017	2016
	%	%
Discount rate	2.60	2.80
Future salary increases	2.70	2.80
Future pension increases	2.40	2.50
Inflation assumption (CPI)	2.40	2.50
Inflation assumption (RPI)	3.40	3.50
Mortality rates		
- for a male aged 65 now	22.30	22.30
- at 65 for a male aged 45 now	23.90	24.10
- for a female aged 65 now	24.50	24.40
- at 65 for a female member aged 45 now	26.50	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 2010 CMI core model (assuming current rates of improvement have peaked) at a long-term improvement rate of 1.25%.

COWEST SERVICES LIMITED

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

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 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 0.5% would decrease scheme liabilities by £2,478,000 and a decrease in the discount rate would increase scheme liabilities by £2,478,000.

It is estimated that a 1 year increase in the member life expectancy would increase scheme liabilities by £913,000 and a decrease in the member life expectancy would decrease scheme liabilities by £913,000.

It is estimated that an increase in the salary increase rate of 0.5% would increase scheme liabilities by £812,000 and a decrease in the salary increase rate would decrease scheme liabilities by £812,000.

It is estimated that an increase in the pension increase rate of 0.5% would increase scheme liabilities by £1,598,000 and a decrease in the pension increase rate would decrease scheme liabilities by £1,598,000.

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 2017 assumptions have been carefully reviewed with the actuary.

COWEST SERVICES LIMITED

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

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%

COWEST SERVICES LIMITED

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

19. PENSION COMMITMENTS (CONTINUED)

The major categories of scheme assets as at 31 December 2016 were as follows:

	<i>Quoted prices in active markets £000</i>	<i>Quoted prices not in active markets £000</i>	<i>Total £000</i>	<i>Percentage of total assets %</i>
Equity securities				
Consumer	442	-	442	3%
Manufacturing	330	-	330	2%
Energy and utilities	69	-	69	1%
Financial institutions	380	-	380	3%
Health and care	104	-	104	1%
Information technology	1,204	-	1,204	9%
Other	53	-	53	0%
Private equity				
All	-	608	608	4%
Real estate				
UK property	-	910	910	7%
Overseas property	-	24	24	0%
Investment funds and unit trusts				
Equities	2,019	-	2,019	15%
Bonds	3,997	1,005	5,002	36%
Hedge funds	-	1,684	1,684	12%
Other	-	654	654	5%
Cash and cash equivalents				
All	-	92	92	2%

COWEST SERVICES LIMITED

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

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 2017 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.

COWEST SERVICES LIMITED

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

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.

	2017	2016
	£000	£000
Contractual asset linked to pension liability		
At 1 January	2,958	908
Change in value during the year	(450)	2,050
PENSION REIMBURSEMENT DEBTOR AT 31 DECEMBER	2,508	2,958

	2017	2016
	£000	£000
Net pension liability in the statement of financial position		
Deficit in the pension scheme	(2,508)	(2,958)
Pension reimbursement debtor	2,508	2,958
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 £21,000 (2016: £14,000). There were outstanding contributions totalling £49,000 (2016: £nil) payable to the scheme at the year end, which are included within other creditors.

COWEST SERVICES LIMITED

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

20. 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 19.

The company also has an outstanding debtor balance of £2,234,000 (2016: £1,075,000) with Cheshire West and Chester Borough Council. This is included in note 12.

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, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense Cedex, France.