Registered number: 01738371

EQUANS REGENERATION LIMITED (FORMERLY ENGIE REGENERATION LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

EQUANS REGENERATION LIMITED (FORMERLY ENGIE REGENERATION LIMITED)

COMPANY INFORMATION

Directors	M Smithurst C Macpherson A Pollins J-P Loiseau
Company secretary	S Gregory
Registered number	01738371
Registered office	Shared Services Centre, Q3 Office Quorum Business Park Benton Lane Newcastle-upon-Tyne Tyne and Wear NE12 8EX
Independent auditor	Ernst & Young LLP Citygate St James' Boulevard Newcastle-upon-Tyne NE1 4JD

EQUANS REGENERATION LIMITED (FORMERLY ENGIE REGENERATION LIMITED)

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

INTRODUCTION

The Directors present their Strategic Report for the year ended 31 December 2021. On 4 April 2022 the Company changed its name from ENGIE Regeneration Limited to EQUANS Regeneration Limited.

During 2021, a directly held subsidiary of ENGIE S.A., EQUANS S.A.S., was established as the parent of a global multi-technical services leader. The EQUANS sub-group was set up to design and provide customised solutions to improve its customers' buildings, technical equipment, systems and processes. It employs 74,000 people in 17 countries and generates an annual turnover of over €12 billion.

On 5 November 2021 ENGIE entered into exclusive negotiations with Bouygues for the sale of 100% of EQUANS. On 12 May 2022, ENGIE and Bouygues signed the EQUANS Share Purchase Agreement. The completion of the acquisition of EQUANS remains subject to the finalisation of the constitution of EQUANS' perimeter by ENGIE, and to obtaining clearances from all relevant foreign investment control authorities and antitrust authorities. The completion of the deal is expected in the second half of 2022.

PRINCIPAL ACTIVITIES

The principal activity of EQUANS Regeneration Limited ("the Company") is to provide services which include the refurbishment of social housing such as planned maintenance and capital works, new build social housing for rent, new build elderly accommodation, new build public buildings and the refurbishment and extension of educational facilities. The Company also acts as a holding company of a group of companies, "the Regeneration Group", which are also principally engaged in the refurbishment, maintenance and construction of residential dwellings.

REVIEW OF BUSINESS

EQUANS Regeneration Limited (which together with its subsidiaries forms "the Regeneration Group") is a national market leader in sustainable community regeneration and planned and responsive repairs to the UK housing stock. It has a strong and extensive track record in social housing solutions and the financial strength and capability to deliver on a national scale.

The Regeneration Group specialises in creating great places to live, work and play. It aims to create communities, not just buildings, and its work has already touched the lives of millions of people across the UK. The specific areas of expertise include new build homes, community regeneration, planned maintenance, retirement solutions, education and sustainability. The Regeneration Group is a key partner in supporting local authorities and housing associations in transitioning to a zero-carbon future, launching ENGIE Zero in 2020, an innovative whole-house, one-stop solution to decentralise, digitalise and decarbonise homes in a radical bid to support the UK's reduction in greenhouse gas emissions by 2050.

Following the announcement in July 2020 of a new strategic orientation to simplify the ENGIE group and accelerate growth in renewables and infrastructure assets, ENGIE delivered progress at pace, despite the challenging backdrop. A strategic review of part of the Client Solutions business was launched towards the potential creation of a new leader in multi-technical services, which would benefit from scale and strong growth prospects. In February 2021, the employee representatives' consultation, related to the proposed organisation design for the new entity, was launched.

From 1 July 2021, all of ENGIE's activity in the UK and Ireland covering technical services and facilities management, energy efficiency and regeneration now form part of the newly launched EQUANS brand. On 5 November 2021, ENGIE entered into exclusive negotiations with Bouygues for the sale of 100% of EQUANS. The transaction is pending regulatory approval and is expected to complete in the second half of 2022.

Under new management, with a transformed organisational structure, there is revised focus on operational excellence where the priorities lie within creating value for customers, safety, ethics, and maintaining our reputation for quality service. There is a drive to apply profit and net margin as the measure of success, and to become a strong cash generating business supported through clear, achievable plans for long-term business growth by focusing on developing existing and new market offers.

REVIEW OF PERFORMANCE

The Company delivered significantly improved results in FY21, achieving turnover of a record £869.8m *(2020: £622.6m)* and profit before tax of £62.6m *(2020: loss of £78.8m)*. This profit includes £91.0m of income from shares in group undertakings (2020: £nil), and an associated impairment loss of £17.9m (2020: £nil).

The operating loss for the Company was £7.0m (2020: loss of £77.2m), which was caused by non-recurring items. Excluding non-recurring items, the Company achieved an operating profit of £6.9m (2020: loss of £46.8m). This success is a reflection of the on-going resilience and strength of the Company's workforce and a demonstration of the disciplined approach to contract selection. The non-recurring items principally relate to the wind-down of specific operations following a review of the Company to make efficiencies for the future. All current live schemes are being completed.

The Company strengthened its balance sheet with total equity of £212.9m increasing from £89.6m in 2020. The increase is largely due to total comprehensive income of £63.4m (2020: loss of £60.4m) and issue of shares amounting to £59.7m (2020: £nil).

The impact of COVID-19 continued to be extremely challenging in 2021 with labour shortages, restricted accessibility to properties and supply chain issues experienced right across the industry. Each challenge encountered presented as an opportunity to find intelligent solutions, for example in the instance of delays, works were carried out of sequence to deliver seamless and co-operative services. The health, safety and well-being of employees and suppliers is, and continues to be, of the utmost importance and there has been a clear directive to keep the workforce safe as the priority. Consequently, the Regeneration Group continues to act in a precautionary manner operating at the highest safety standards, following Government guidance on self-isolation and site-specific risk assessments with COVID-19 measures in place as necessary.

Combining with the services offered by associated group companies within EQUANS, the Regeneration group continues to benefit from synergies providing enhanced products and services on multi-disciplined long-term schemes. The Regeneration business continued to make significant progress on the state-of-the-art £200m student accommodation regeneration scheme for the University of Leicester in line with the contract programme, with final completion targeted for September 2022. Works commenced on a similar prestigious £100m+ long-term contract with Kingston University during the year and in March 2021 a further £200m contract with the University of Birmingham was announced to transform the Pritchatts Park student campus.

The Regeneration Group is committed to the delivery of fire safety projects and the Company was appointed by housing association Optivo to deliver vital fire remediation work, worth £120m. This partnership will work with residents to provide comprehensive remediation solutions. Following months of extensive investigation and design work across various buildings, work on site began in the summer of 2021 and the programme will be delivered over the next seven years.

The Regeneration Group remains focused on cultivating our long-standing client relationships which has resulted in winning further work with: Cheshire East Council, securing a 10-year contract worth £97m to serve as strategic partner to support its ambitious net zero carbon targets; Manchester City Council, securing a 3-year contract worth £33m+ to provide repair and maintenance services to over 13,000 council-owned homes in the City, and; Southwark Council, supporting the delivery of high-quality new council homes in the London borough on a redevelopment scheme valued at £21m.

The outlook for FY22 is positive, and the business continues to grow and trade in line with Directors' expectations underpinned by a strong pipeline and good operational delivery of the current schemes. The business is looking to adjust the mix within its future order book by becoming more selective on traditional competitively tendered design and build projects and actively targeting refurbishment activities (both traditional and supporting clients zero carbon journey), land and partnerships, structured finance student accommodation and sustainability activities, which generate improved margins and more control over costs and operations.

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 opportunity and risk management framework that applies to all activities of the Company, including:

Commercial risk

The Company enters into contracts for the delivery of high value projects, through which it inherits certain elements of risk for non-delivery under those contracts. A failure to adequately control contract management could result in the Company accepting higher levels of risk, or lower levels of contract profitability than are normally deemed acceptable. Furthermore, a failure to adequately control project delivery could result in the Company failing to satisfy contractual commitments, or incurring greater project costs in the delivery of the projects. The Company operates clear and robust contract bidding and authorisation processes. Approval authority limits require higher risk and higher value projects to be subject to greater levels of review and assessment before any contractual commitment is made. The Company undertakes routine and structured contract performance reviews, identifying risk and amending the project delivery programme accordingly.

In addition, project delivery is dependent upon sub-contractors and material suppliers. Poor or late availability of labour and materials could adversely impact upon the Company's ability to operate efficiently and deliver projects on time with high levels of client satisfaction. The Company maintains strategic supply agreements with major materials suppliers and project scheduling permits material orders to be raised with appropriate lead times for delivery without impacting upon overall project timescales. A broad sub-contractor base delivers services across the Company, with no dependence upon any single sub-contractor in any region.

Government funding risk

Material elements of the Company's revenue are secured directly or indirectly from various central and local Government funding strategies. Significant policy changes could impact on the sustainability of elements of revenue as sources of funding to support specific project types change. As a result, the Company's sales pipeline is susceptible to changes in Government policy. Government policy is routinely monitored and communicated to management. The Company actively participates in industry consultation processes. Strong end-client relationships result in a partnership approach to determining future volumes of work providing high levels of forward visibility of future revenue. Management regularly assesses future funding risk through analysis of the pipeline of future work, and flex the scale of infrastructure accordingly. The scale and diversification of the business removes dependency on any single funding source.

Health and safety risk

The UK & Ireland Business Unit ("UK BU"), of which the Company is a part, faced a second consecutively difficult year during 2021, with the COVID-19 pandemic presenting a challenging environment for the business.

The Directors recognise that much of the year was focused on providing a healthy and safe environment for the Company's workforce both on-site and at home. Whilst the UK BU ensured COVID secure working arrangements, it also continued to maintain the focus on improving the health and safety culture and performance.

Key achievements from 2021 included:

• The development and implementation of a COVID-19 Management System which provided guidance and support for the workforce to ensure COVID secure workplaces;
• The establishment of communications and e-learning to ensure continued focus on 'normal' Responsible Business ("RB") and Safety, Health, Environment and Quality ("SHEQ") risk outside of COVID-19;
• The undertaking of a Health & Safety Climate Survey across the workforce with positive outcomes, which has identified further key areas for improvement that have subsequently been incorporated into the 2022 RB & SHEQ Action Plan;
• The delivery of the 2021 RB and SHEQ Action Plan, which addressed the high risk activities identified;
• The wider communication via environmental, health and safety workshops of UK BU environmental, health and safety processes and forms to ensure greater understanding and implementation in workplaces;
• The issuing of clear SHEQ communications to ensure lessons learnt and best practices are shared across the whole of the UK BU;
• The update of competency of the RB and SHEQ teams in conjunction with the learning and development ("L&D") department;
• The continued focus on health and wellbeing, with mental health awareness training implemented and the establishment of health and wellbeing drop-in sessions during the year with increased frequency as a result of the COVID pandemic; and,
• The continued implementation of online Aspects & Impacts Registers to manage environmental risks with a pilot of climate risk profiling for agreed sites.

All 2021 Health & Safety KPIs were achieved, with a target Lost Time Incident Frequency Rate ("LTIFR") of 3.1 being set for the UK BU. This was achieved during the year with a LTIFR of 2.6 being recorded.

The ability to provide adequate security to customers

The Company is part of the EQUANS group and consequently has access to the EQUANS group's liquidity and the ability to utilise the strength of EQUANS' subsidiaries' balance sheets for parent company guarantee purposes.

Financial irregularity risk and liquidity risk

The cash flow requirements of the Company's contracts can be very different and availability of short-term liquidity is critical to the Company's ability to grow and deliver successful projects on behalf of clients. A lack of short-term liquidity could impact upon the Company's ability to pay sub-contractor and material suppliers resulting in a failure to deliver projects. The Company maintains strong financial discipline. Cash generation is monitored by robust budgeting, forecasting and cash management disciplines. The Company is part of the EQUANS group and has the benefit of its liquidity. It has access to this liquidity through loans, cash pooling overdraft facilities and equity injections.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company applies the following key performance indicators to measure its performance and prospects. These are as follows:

Operating profit/(loss) excluding non-recurring items

The Company's operating loss for the year ended 31 December 2021 totals £7.0m *(2020: loss of £77.2m)*, an increase of £70.2m on the previous year.

The Company's operating profit (excluding non-recurring items) for the year ended 31 December 2021 totals £6.9m (2020: loss of £46.8m). Operating profit excluding non-recurring items is a measure of income which excludes those items that are inherently difficult to predict due to their unusual, irregular or non-recurring nature. It is a key performance indicator reflecting a measure of underlying contractual performance, also measured on a contract by contract basis as 'net margin'.

"Restructuring costs" of £13.9m *(2020: £40.4m)* were recognised as non-recurring items during the year. During 2021 there was no income relating to the Coronavirus Job Retention Scheme. In 2020 £10.0m income was recognised as a non-recurring item.

Restructuring costs correspond to a restructuring program planned and controlled by management that materially changes either the scope of the business undertaken by the entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37.

Operating profit (excluding non-recurring items) includes the adverse impacts of COVID-19. During 2021 this reduced to £20.5m (2020: £36.9m).

For a reconciliation of operating profit excluding non-recurring items to operating loss including non-recurring items, refer to the income statement.

Profit before tax was £62.6m (2020: loss of £78.8m). Excluding non-recurring items, profit before tax was £76.5m (2020: loss of £48.4m).

Net assets

The Company's net assets at the year-end stand at £212.9m *(2020: £89.6m)*, an increase of £123.3m on the previous year. The increase is largely due to total comprehensive income of £63.4m (2020: loss of £60.4m) and issue of shares amount to £59.7m (2020: £nil).

OTHER KEY PERFORMANCE INDICATORS

The Company also reports the following other key performance indicators relevant to the Company's performance and prospects, however this managed on a divisional basis across the UK BU and therefore the figures are given in respect of the UK BU as a whole:

Safety

The UK BU's Lost Time Incident Frequency Rate stands at 2.6 *(2020: 2.2)* lost time injuries per one million hours worked.

GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 June 2023. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

As mentioned in the Company's 2020 strategic report, during 2020 the ENGIE Group announced its Strategic Review of part of its Client Solutions business line, a project launched towards the potential creation of a new leader in multi-technical services, which would benefit from scale and strong growth prospects.

During 2021, a directly held subsidiary of ENGIE S.A., EQUANS S.A.S., was established as the parent of this global multi-technical services leader. The EQUANS sub-group employs 74,000 people in 17 countries, of which 27,000 are located in France, and generates an annual turnover of over €12 billion. On 5 November 2021, ENGIE entered into exclusive negotiations with Bouygues for the sale of 100% of EQUANS. On 12 May 2022, ENGIE and Bouygues signed the EQUANS Share Purchase Agreement, following the conclusion of employee consultation. The completion of the acquisition of EQUANS remains subject to the finalisation of the constitution of EQUANS' perimeter by ENGIE and to obtaining clearances from all relevant foreign investment control and antitrust authorities. The completion of the deal is expected in the second half of 2022, as per the initial schedule.

The Directors have considered the intended disposal of EQUANS S.A.S. by ENGIE S.A., which was confirmed on 5 November 2021. The decision to sell the EQUANS business does not adversely impact the Company's day-to-day operations. Following the transfer of cash pooling arrangements from the ENGIE Treasury Management to EQUANS S.A.S. on 25 April 2022, the Company has no ongoing cash funding relationship external to the ENGIE Group beyond EQUANS. EQUANS S.A.S. has the ability to provide continuing support to the Company, irrespective of whether EQUANS remains part of the ENGIE Group, or if it is sold, as planned, to Bouygues.

The impact on the Company's funding arrangements, arising from the disposal of EQUANS S.A.S. and its subsidiaries to Bouygues, would be minimal. Existing debts and short-term working capital facilities provided by a £20m negative balance limit with the cash pool would continue to be made available by EQUANS S.A.S. and which the Directors consider is sufficient even under a plausible downside in results. No debt or short-term borrowings under the existing cash pooling arrangements would be repayable.

The Company does not have third party borrowings (external to the ENGIE Group). EQUANS S.A.S. is not dependent on Bouygues, nor ENGIE S.A., for its future funding, and it has sufficient equity and liquidity to support the Company.

The Company has received an uncapped letter of support from EQUANS S.A.S. The Directors have considered the ability of EQUANS S.A.S. to provide financial support to the Company and have satisfied themselves that EQUANS S.A.S. is able to provide support for a period to 30 June 2023.

The budgeted cash flows for the Company (which show sufficient headroom even after considering a reasonably plausible downside), positive post year-end results, available liquidity through use of the negative balance facility with the cash pool, and the EQUANS S.A.S. letter of support, all allow the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 June 2023 and therefore apply the going concern basis of preparation for the statutory accounts for the year ended 31 December 2021.

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (SECTION 172 (1) STATEMENT UNDER THE COMPANIES ACT 2006)

Long term consequences of decisions made during the year

The impact of COVID-19 has been an extensive one for many businesses across the country and has resulted in exceptionally challenging market conditions. As a result, the Directors undertook a review of the business with the aim of making efficiencies for the future. This saw changes to some operations which resulted in headcount reductions and office closures, including a decision not to seek future construction and regeneration work in various geographical areas of the UK. All current live schemes are being completed.

	Recurring items	**Non- recurring items (Note 11)**	**2021**	*Recurring items*	*Non-recurring items (Note 11)*	*2020*
	£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Turnover	**822,419**	**47,430**	**869,849**	*577,962*	*44,661*	*622,623*
Cost of sales	**(764,500)**	**(46,723)**	**(811,223)**	*(551,795)*	*(46,162)*	*(597,957)*
Cost of sales - impact of pandemic	**(20,454)**	**(14)**	**(20,468)**	*(36,928)*	*(5,297)*	*(42,225)*
Gross proft/(loss)	**37,465**	**693**	**38,158**	*(10,761)*	*(6,798)*	*(17,559)*
Administrative expenses	**(30,537)**	**(14,596)**	**(45,133)**	*(36,066)*	*(33,585)*	*(69,651)*
Other operating income	**-**	**-**	**-**	*-*	*10,011*	*10,011*
Operating profit/(loss)	**6,928**	**(13,903)**	**(6,975)**	*(46,827)*	*(30,372)*	*(77,199)*

Non-recurring items are disclosed in Note 11 within the financial statements.

Significant schemes secured during the year have put the Company in a strong position to deliver unique products and services to customers and maintain a strong longer term order book and pipeline for future years.

Employee involvement and engagement

The Company places considerable value on the involvement of its employees and systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, in order that their views may be considered where decision-making may affect their interests. This is achieved through regular meetings between management and elected employee representatives through Employee Forums, Company-wide webcast presentations, specialist employee networks and committees, intranet news articles, emails and letters sent to employees' home addresses. Employee involvement in the Company is encouraged through regular employee surveys and focus groups. Achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a role in improving its performance.

The Company also encourages the involvement of employees to optimise a variety of other benefits via the My EQUANS benefits scheme that covers items such as insurances, health and financial wellbeing, flexible holiday, health and medical care and retail vouchers.

The UK BU of EQUANS offers and actively promotes development opportunities at all levels. There are focussed development programmes at both a global and local level and tailored programmes for high potential talent aligned to the organisation's succession planning process. A variety of bespoke programmes are also created to meet specific business needs. In 2021, the EQUANS UK BU invested over £3 million in training and development and, the Learning Experience team facilitated, delivered, and coordinated over 46,000 training days, including 40,000 e-Learning hours.

In order to meet current and future workforce demands, the UK BU has an Early Careers programme to create a sustainable talent pipeline, providing opportunities to young people through Kickstart, apprenticeship and graduate programmes. There are over 560 apprentices across the organisation studying a wide range of qualifications.

The UK BU contributes to EQUANS' global skills academies reporting process, which provides an understanding of current skill trends and gaps requiring attention. This enables the Company to establish a clear understanding of the short, medium and long-term focus areas. A revised inclusive talent and performance cycle was launched at the end of 2021 to support and engage managers in effective succession and workforce planning. Pools for business-critical roles are regularly reviewed, developing internal and external development plans to ensure a sustainable pipeline of talent is retained.

Fostering business relationships with suppliers, customers and other stakeholders

The Company's commitments are governed by the Responsible Business Charter. The Charter is in itself underpinned by standards such as the ISO 20400 Sustainable Procurement Standard for responsible procurement and ISO 37001:2016 Standard for anti-corruption management system which guide our engagement with key stakeholders. The Charter also contains performance indicators that hold us accountable for quality of stakeholder engagement such as Net Promoter Score for our customer, employee engagement score and the delivery of stakeholder engagement plans across the organisation.

EQUANS continues to identify innovative solutions and new ways of working that enable us to support our customers in achieving their goals. We partner with large and small organisations through our open innovation programme, working externally with universities, start-ups, government agencies and industrial partners, to expand our capabilities, develop markets and provide leading edge customer solutions.

EQUANS UK BU continues its focus towards a zero-carbon future, working with suppliers through the Supply Chain Sustainability School, and also engaging suppliers directly. As part of our partnership with Supply Chain Sustainability School, we work with several of the Leadership Teams of the School to guide strategy and support the development of engagement materials for suppliers. EQUANS has an established Supplier Charter to which it requires all suppliers to sign up. The Charter includes principles of the Responsible Business Charter as well as Ethics and Health and Safety commitments expected from both EQUANS and the supplier.

The Company's own Supplier Charter and supplier collaborative working continue to drive positive change and identify opportunities to embed Zero Carbon Products and Services across our operations.

The Company has signed up to the Buy Social Challenge with Social Enterprise UK to positively impact on society through engaging with innovative suppliers whilst embedding corporate responsibility and diversity across the business and supply chain. In 2021, for example, we held a specific listening session with our social enterprises to identify opportunities for closer working.

Impact of the Company's operations on the community and environment

Our social value ambition is to support the creation of more resilient communities through a just transition, by supporting vulnerable groups through education and into independent living, improving air quality and delivering on our purpose to make zero carbon happen.

Our key goals are:

• Supporting social mobility
• Supporting the growth of local skills and employment
• Decarbonisation and improved air quality

Our bespoke social value methodology and framework enables us to track and report on financial and non-financial social value. In 2021, EQUANS delivered over £10 million of social and local economic value, through broader social value activities to support our communities, including:

• 59 employees hired from disadvantaged backgrounds
• Over 1,200 training courses provided to our local communities
• £262,000 donated to local community projects
• Over 1,180 weeks of work placements

At EQUANS, we recognise the importance of data validation, review, and auditing, and submitted our data for external validation by the Social Value Portal, to ensure we are accurately claiming the social value we generate as a business.

We define community investment as the total financial value of employee fundraising, employee volunteering hours and management time, gifts and donations, financial investment including spend within the Social Enterprise and Voluntary, Community and Social Enterprise sector, and sponsorship of community events. In 2021, the total community investment for the UK BU exceeded £4.6 million, including match funding for our EQUANS Chosen Charities.

In addition to social value, we have continued our broader focus on responsible business. EQUANS was recently awarded a Platinum EcoVadis rating for the second consecutive year. The award is an independent endorsement putting EQUANS in the top one percent of companies assessed by EcoVadis. It demonstrates our commitment to sustainability management and gives confidence to our current and future partners that EQUANS continues to lead the way and has the expertise and experience to add value to their performance.

We continue with our current Platinum ranking in the Sustainable FM Index recognising our leadership in a wide range of criteria, across environmental, social and governance areas, in assessing the overall sustainability performance of FM service providers.

In 2021, the UK BU continued to work towards our plan to reach net zero. In 2021, we achieved the milestone of over 25% of our fleet being converted to electric vehicles, with a longer-term commitment to deliver zero tailpipe emissions by 2028. In line with our commitment to 'Making Zero Carbon Happen', the UK BU has reduced Scope 1 and 2 corporate carbon intensity by 39% since 2012, and Scope 3 emissions by 21% since 2018. As of

2021, Scope 1 and 2 asset carbon intensity has been reduced by 77% and freshwater abstraction by 61%.

In 2020, due to the pandemic and related restrictions, we saw a significant decrease in emissions from our construction activity, fleet movements, and business travel. As the pandemic related restrictions were lifted and business activities resumed, there was an increase in emissions related to these areas, though an overall decrease in emissions has been maintained in comparison with pre-pandemic conditions.

In addition, in 2020, we saw a decrease in emissions from our energy generation assets due to client demand and maintenance requirements on key assets. As client demand returned and equipment came back online these emissions increased in comparison to 2020 figures.

Apart from our own focus on decarbonisation, we continue to broaden our offer to support our customers both in the private and public sector. Our Homes Zero offer launched in 2020 has been joined in 2021 by our School Zero, NHS Zero and Destination Zero propositions, combining our sustainable energy expertise with our facilities management capabilities to help organisations save energy, increase sustainability, and cut carbon emissions.

The maintenance of high standards of conduct

The UK Directors maintain high standards of business conduct by ensuring that activities of the UK BU companies of EQUANS are in line with EQUANS' Ethics Charter, policies and codes of conduct. The overarching Ethics Charter includes a zero tolerance for all forms of corruption and is supplemented with a range of more specific policies and practical guidelines which deal with areas such as supplier relationships, conflicts of interest and gifts and hospitality. All Board members have received training in this respect. The Directors' actions are also guided by EQUANS' core values: Innovative, Demanding, Accountable, Client-focused, Goodwill and One Team, which help define the UK BU companies' strategies and targets. Additionally the UK BU has issued a Responsible Business Charter, which aims to ensure that EQUANS operates to the highest economic, social and environmental standards while building and maintaining public trust.

Summary of methods used by the Directors to engage with stakeholders and understanding issues relevant to key decisions

The Directors utilise a full range of communication channels managed at the UK BU level to engage with stakeholders. These include face to face meetings (virtual and in person), forums and events, reports and other written materials, as well as through public relations activity, targeted digital content and social media.

This report was approved by the Board on 28 June 2022 and signed on its behalf.

DocuSigned by:
Colin Macpherson
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C Macpherson
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021. The Company changed its name from ENGIE Regeneration Limited to EQUANS Regeneration Limited on 4 April 2022.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £63,037,000 *(2020: loss £61,523,000).*

Profit/(loss) excluding non-recurring items

Profit excluding non-recurring items was £74.3m, an increase of £111.2m from the prior year results. Profit excluding non-recurring items includes the adverse impacts of COVID-19, as well as £91m income from shares in group undertakings (2020: £nil) and a resultant impairment loss of £17.9m recognised against the investment in the dividend paying subsidiary. The Company has continued to work hard to minimise the impact of the COVID-19 pandemic on operations, with the majority of projects remaining operational in-line with government guidleines.

Non-recurring items

Non-recurring items during the year relate to "Restructuring costs".

Restructuring costs correspond to a restructuring program planned and controlled by management that materially changes either the scope of the business undertaken by the entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37.

DIRECTORS

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 *(2020: £nil).*

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

M Smithurst
N Lovett (resigned 30 September 2021)
C Macpherson
A Pollins
J-P Loiseau (appointed 27 September 2021)

FUTURE DEVELOPMENTS

A review of the results, performance and future developments for the EQUANS group is presented in the Strategic Report.

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 statement of financial position, 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 group undertakings.

The credit risk associated with cash is limited, as the Company uses financial institutions with a high credit rating for banking requirements. All customers are credit checked prior to any sales and only customers with an appropriate credit rating are offered credit terms. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk on remaining amounts owed by group undertakings is not considered to be significant given the strong statement of financial position and liquidity position of EQUANS S.A.S., which manages the cash pooling arrangements for EQUANS S.A.S and its subsidiaries.

Liquidity risk

The Company is exposed to liquidity risk on its financial liabilities, including trade and other creditors, lease liabilities and amounts owed to group undertakings. In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, which is particularly important given the ongoing economic crisis, the Company benefits from access to both short-term liquidity and longer-term financing support from the EQUANS group.

During 2021, the liquidity of the Company was supported by ENGIE Treasury Management ("ETM"), via cash pooling (through Barclays). This cash pooling enables efficient use of available liquidity and under this arrangement, the Company has an agreed overdraft facility "negative balance limit" ("NBL") of £20m to manage its working capital requirements. The centralised cash pooling activities of EQUANS are now managed by EQUANS S.A.S., replacing the activities previously performed by ETM.

The existing current account agreements and agreed credit limits, and associated cash or negative balances, for all EQUANS UK entities were transferred from ETM to EQUANS S.A.S. on 25 April 2022. The credit limits provided under the current account agreements have not changed. There are no covenants associated with the provision of negative balances under the current account agreements.

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

ENGAGEMENT WITH EMPLOYEES

The information in respect of employee involvement and engagement has been disclosed in the strategic report.

DISABLED EMPLOYEES

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

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The information in respect of business relationships has been disclosed in the strategic report.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The UK government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, when the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force.

The Company meets SECR qualification criteria in the UK. The Company has opted to use the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for the compliance is 1 January 2021 to 31 December 2021. Included within that boundary are Scope 1 & 2 emissions, as well as Scope 3 emissions from gas, electricity, company fleet and grey fleet in the UK. The GHG Protocol Corporate Accounting & Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting have been used as part of carbon emissions calculation.

The results show that the Company's total energy use and total gross Greenhouse Gas (GHG) emissions amounted to 17,855,809 kWh and 4,037 tonnes of CO_2e respectively in the 2021 financial year in the UK. The Company has chosen 'Tonnes of CO_2e per Million Turnover (m£)' as an intensity metric as this is an appropriate metric for the business. The intensity metric for the financial year 2021 was 4.6 tCO_2e/m£ turnover compared to 5.1 tCO_2e/ m£ turnover in 2020. Below is the energy consumption and GHG emissions summary table as well as the table outlining the year on year analysis.

Type of Emissions	Activity	kWh	tCO_2e	% of Total
Direct (Scope 1)	**Natural Gas**	**1,110,726**	204.2	5.1%
	Company Fleet	**7,175,142**	1,674.2	41.5%
	Subtotal	8,285,868	1,878.4	46.5%
Indirect (Scope 2)	**Electricity (location based)**	**3,519,155**	747.2	18.5%
	Subtotal	3,519,155	747.2	18.5%
Indirect Other (Scope 3)	**Grey Fleet**	**6,050,786**	1,411.8	35.0%
	Subtotal	6,050,786	1,411.8	35.0%
	Total Energy Use (kWh)			17,855,809
	Total Gross Emissions (tCO_2e)			4,037
	Gross Turnover (m£)			870
	Tonnes of Gross CO_2e per m£			4.6

In 2021, EQUANS UK BU continued to work towards its plan to reach net zero. In 2021, EQUANS UK BU achieved the milestone of over 25% of its fleet being converted to EVs, with a longer-term commitment to deliver zero tailpipe emissions by 2028. In line with our commitments, the organisation has reduced Scope 1 and 2 corporate carbon intensity by 39% since 2012, and Scope 3 emissions by 21% since 2018. As of 2021, Scope 1 and 2 asset carbon intensity has been reduced by 77% and freshwater abstraction intensity by 61% against a 2012 baseline.

In recognition of our efforts, EQUANS UK BU was awarded a Platinum EcoVadis rating for the second consecutive year. The award is an independent endorsement putting EQUANS in the top one percent of companies assessed by EcoVadis. It demonstrates our commitment to sustainability management and gives confidence to our current and future partners that EQUANS continues to lead the way and has the expertise and experience to add value to its performance. We also continued with our previous Platinum ranking in the Sustainable FM Index, recognising our leadership in a wide range of criteria, across environmental, social and governance areas, in assessing the overall sustainability performance of FM service providers.

Apart from our own focus on decarbonisation, we continued to broaden our offer to support our customers both in the private and public sector. Our Homes Zero offer launched in 2020 has been joined in 2021 by our School Zero, NHS Zero and Destination Zero propositions, combining our sustainable energy expertise with our facilities management capabilities to help organisations save energy, increase sustainability, and cut carbon emissions.

Type of Emissions	Units	2021	2020	YOY % Change
Direct (Scope 1)	**(kwh)**	**8,285,868**	**9,017,087**	-8.1%
	(tCO_2e)	**1,878**	**2,095**	-10.4%
Indirect (Scope 2)	**(kwh)**	**3,519,155**	**1,682,206**	>100%
	(tCO_2e)	**747**	**392**	90.6%
Indirect Other (Scope 3)	**(kwh)**	**6,050,786**	**2,926,030**	>100.0%
	(tCO_2e)	**1,412**	**687**	>100.0%
	Total Energy Use (kWh)	17,855,809	13,625,323	31.0%
	Total Gross Emissions (tCO_2e)	4,037	3,174	27.2%
	Tonnes of Gross CO_2e per FTE	4.6	5.1	-9.8%

In 2020, due to the pandemic and related restrictions, we saw a significant decrease in emissions from our construction activity, fleet movements, and business travel. As the pandemic related restrictions were lifted and business activities resumed, there was an increase in emissions related to these areas, though an overall decrease in emissions has been maintained in comparison with pre-pandemic conditions.

In addition, in 2020 we saw a decrease in emissions from our energy generation assets due to client demand and maintenance requirements on key assets. As client demand returned and equipment came back online these emissions increased in comparison to 2020 figures.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Purpose and leadership

All EQUANS group companies share the common purpose of acting to accelerate the transition towards a carbon-neutral economy, under the leadership of the EQUANS group Executive Committee. This purpose brings together the Company, its employees, its clients and its shareholders, and reconciles economic performance with a positive impact on people and the planet. In the UK, this purpose and ambition is articulated as 'Making Zero Carbon Happen', which is achieved through combining energy, services and regeneration activities for the benefit of individuals, businesses and communities.

Directors' responsibilities

Across the UK BU, the Board of Directors does not apply any specific code of corporate governance. As the Company is not listed in the UK this is not a mandatory requirement, however, relevant corporate governance principles at group level flow down to the UK companies with regard to areas including director appointments and delegations of authority. The Directors are confident that the alternative arrangements, which have been in place and have been operational throughout the financial year, are sufficient to ensure effective management of the Company and interaction with its members and stakeholders. These alternative arrangements comprise a combination of the following:

• a Board of Directors, composed of Directors with in-depth knowledge of the Company and the sectors in which it operates;
• clearly documented delegations of authority governing the performance of both day to day and key activities;
• oversight and guidance by an "Executive Board" (of which all of the officers of the Company form part), that oversees EQUANS' activities in the UK and which sets the strategy for the long-term success of the UK BU; and
• guidance by an independent Advisory Board composed of external experts, who have extensive links to EQUANS' customer-base and the communities in which the Company operates.

Risk and Opportunity

Risk and opportunity management is owned and overseen at the highest level of the business by the UK Executive Committee. The Committee regularly reviews the risks and the actions taken to mitigate them. The risk management process ensures that all types of business risk are considered, these being both financial and non-financial risks such as health and safety, IT, data security, human rights, ethics, corporate social responsibility, and governance topics. As part of the assessment process, it seeks to identify opportunities where the business can improve its services and activities and reduce exposure or enhance operations.

Within the business divisions, for each contract the local management are required to produce contract-specific aspects and impact registers which identify risks and opportunities and include mitigation measures. These are regularly reviewed and any activities that are deemed significant, post-mitigation, must have further actions identified and implemented to manage the associated risks.

Board composition

The activities of the Company report into the UK BU CEO Jean-Philippe Loiseau, and the Executive Board. The Executive Board ensures that the business operates to the highest economic, social and environmental standards, leading the business in-line with the stated values of the organisation.

The Executive Board is supported by a robust business management system (including business continuity and succession plans), ensuring that roles are consistently and fairly filled with highly experienced individuals.

Decisions of the Executive Board are scrutinised by a framework of separate parties:

• the Board of the EQUANS group holds ultimate oversight over the UK BU and its subsidiaries; and
• independent oversight is received from the UK Advisory Board.

Remuneration

The Executive Board total remuneration is reviewed by the EQUANS Scrutiny Board and is deemed to be fair, proportionate and timely in relation to corporate performance, in comparison with peers and employees.

The salary of all Executives in the UK BU is set by the parent company, EQUANS S.A.S., and aims to support long-term success by linking bonus, salary increases and long-term incentives to a set number of financial and managerial targets, along with a view on market positioning. The same approach to bonus and salary is used for employees below the executive level (where eligible).

Stakeholder relationships and engagement

When managing stakeholder relationships, all activity adheres to EQUANS' Ethics Policy and Gifts and Hospitality Policy, with governance from an Executive Board level Ethics Officer.

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.

POST BALANCE SHEET EVENTS

On 4 April 2022, ENGIE Regeneration Limited changed its name to EQUANS Regeneration Limited.

This report was approved by the board on 28 June 2022 and signed on its behalf.

DocuSigned by:
Colin Macpherson
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C Macpherson
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

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 elected to prepare 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 EQUANS REGENERATION LIMITED

Opinion

We have audited the financial statements of EQUANS Regeneration Limited for the year ended 31 December 2021 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 29, 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash forecast for the going concern period to 30 June 2023 (the review period). The company has modelled base case and downside scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the company.
- We tested the key assumptions included in the base and downside cash forecasts by reference to supporting information and searched for contrary evidence to challenge the assumptions.
- We assessed the impact of COVID-19 on the projections, testing management sensitivities and applying our own.
- We assessed the likelihood of additional potential revenue opportunities, cost savings and availability of finance.
- We determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- Given the company's reliance on EQUANS S.A.S., an intermediate parent company, for its treasury function, including safe keeping and return of cash deposits as required, we examined the letter of support from EQUANS S.A.S.to determine the adequacy of comfort provided to the Directors and the ability of EQUANS S.A.S.to provide the support as required. This included obtaining the going concern assessment performed by the auditors of EQUANS S.A.S., requesting additional information from those auditors and considering various financing sensitivities.
- We challenged whether the sale of EQUANS S.A.S to Bouygues SA would have any impact on the ability of EQUANS S.A.S. to provide support to the company.
- We read the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2023.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUANS REGENERATION 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 contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 19, 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.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are
    - Companies Act 2006 and FRS101
    - Tax legislation (governed by HM Revenue & Customs) and including furlough legislation
    - Health and Safety legislation
- We understood how EQUANS Regeneration Limited is complying with those frameworks by reading internal policies and codes of conduct and assessing the entity level control environment. We made enquiries of the Company's legal counsel and senior management of known instances of non-compliance or suspected non-compliance with laws and regulations, including any matters raised in whistleblowing. We also considered the oversight procedures of the Company's parent entity at a UK level through the "Executive Board".
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management, including the UK Chief Financial Officer, the UK Deputy Chief Financial Officer, the UK Group Financial Controller. We obtained details of incidents and allegations of fraud raised internally and investigated by the Company's ethics and compliance team. We planned our audit to identify risks of management override or bias by agreeing journal entries in the areas involving significant estimation and judgement, recognition of revenue and profits on contracts, to supporting documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board meetings and other committee minutes, including the Risk Management Committee, and incident registers to identify any non-compliance with laws and regulations. Our procedures also involved journal entry testing and data analytics, as set out above. Our testing also included consideration of compliance of employees with policies and codes of conduct at a contract level, for a sample of contracts, based on their size and complexity.

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

Use of our report

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

Ernst + Young LLP

Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
30 June 2022

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021			2020		
	Note	Recurring items £000	Non-recurring items (Note 11) £000	Total £000	Recurring items £000	Non-recurring items (Note 11) £000	Total £000
Turnover	4	822,419	47,430	**869,849**	577,962	44,661	622,623
Cost of sales		(764,500)	(46,723)	**(811,223)**	(551,795)	(46,162)	(597,957)
Cost of sales - Impact of pandemic		(20,454)	(14)	**(20,468)**	(36,928)	(5,297)	(42,225)
Gross profit		**37,465**	**693**	**38,158**	(10,761)	(6,798)	(17,559)
Administrative expenses		(30,537)	(14,596)	**(45,133)**	(36,066)	(33,585)	(69,651)
Other operating income	5	-	-	-	-	10,011	10,011
Operating profit/(loss)	6	**6,928**	**(13,903)**	**(6,975)**	(46,827)	(30,372)	(77,199)
Income from shares in group undertakings	8	91,000	-	**91,000**	-	-	-
Amounts written off investments	15	(17,880)	-	**(17,880)**	-	-	-
Interest receivable and similar income	9	-	-	-	72	-	72
Interest payable and similar expenses	10	(3,538)	-	**(3,538)**	(1,667)	-	(1,667)
Profit/(loss) before tax		**76,510**	**(13,903)**	**62,607**	(48,422)	(30,372)	(78,794)
Tax (expense)/credit on profit/(loss)	12	(2,212)	2,642	**430**	11,526	5,745	17,271
Profit/(loss) for the financial year		**74,298**	**(11,261)**	**63,037**	(36,896)	(24,627)	(61,523)

The notes on pages 28 to 69 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	*2020 £000*
Profit/(loss) for the financial year		**63,037**	*(61,523)*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit schemes	27	**4,840**	*(2,796)*
Movement of deferred tax relating to actuarial gain/(loss)	21	**(818)**	*531*
		4,022	*(2,265)*
Items that may be reclassified to profit or loss:			
Pension reimbursement debtor	27	**348**	*4,049*
Reversal of previous pension reimbursement debtor	27	**(4,049)**	*(614)*
		(3,701)	*3,435*
Total comprehensive loss for the year		**63,358**	*(60,353)*

The notes on pages 28 to 69 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000	*2020 £000*
Fixed assets			
Intangible assets	13	**533**	*720*
Tangible assets	14	**13,711**	*13,339*
Investments	15	**80,752**	*98,632*
		94,996	*112,691*
Current assets			
Stocks	16	**525**	*-*
Debtors due within 1 year	17	**361,972**	*292,548*
Debtors due after more than 1 year	17	**19,204**	*33,157*
Cash at bank and in hand		**6,216**	*19,681*
		387,917	*345,386*
Creditors: amounts falling due within one year	18	**(234,108)**	*(266,340)*
Net current assets		**153,809**	*79,046*
Total assets less current liabilities		**248,805**	*191,737*
Creditors: amounts falling due after more than one year	19	**(19,653)**	*(68,095)*
		229,152	*123,642*
Provisions for liabilities			
Provisions	22	**(15,701)**	*(28,945)*
Net assets excluding pension liability		**213,451**	*94,697*
Pension liability		**(572)**	*(5,060)*
Net assets		**212,879**	*89,637*
Capital and reserves			
Called up share capital	24	**4,762**	*4,762*
Share premium account	25	**126,700**	*67,000*
Profit and loss account	25	**81,417**	*17,875*
Total equity		**212,879**	*89,637*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2022.

DocuSigned by:

Colin Macpherson

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C Macpherson
Director

The notes on pages 28 to 69 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020	**4,762**	**67,000**	**78,085**	**149,847**
Comprehensive loss for the year				
Loss for the financial year	-	-	(61,523)	(61,523)
Actuarial loss on pension scheme including deferred tax	-	-	(2,265)	(2,265)
Movement in the pension reimbursement debtor	-	-	3,435	3,435
Total comprehensive loss for the year	-	-	(60,353)	(60,353)
Share-based payments	-	-	143	143
Total transactions with owners	-	-	143	143
At 1 January 2021	**4,762**	**67,000**	**17,875**	**89,637**
Comprehensive income for the year				
Profit for the financial year	-	-	63,037	63,037
Actuarial gain on pension scheme including deferred tax	-	-	4,022	4,022
Movement in the pension reimbursement debtor	-	-	(3,701)	(3,701)
Total comprehensive income for the year	-	-	63,358	63,358
Shares issued during the year	-	59,700	-	59,700
Share-based payments	-	-	184	184
Total transactions with owners	-	59,700	184	59,884
At 31 December 2021	**4,762**	**126,700**	**81,417**	**212,879**

The notes on pages 28 to 69 form part of these financial statements.

1. GENERAL INFORMATION

The financial statements of EQUANS Regeneration Limited for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 28 June 2022 and the statement of financial position was signed on the Board's behalf by C Macpherson.

The Company is a private limited liability company, incorporated and domiciled in the United Kingdom. The address of its registered office is Q3 Office, Quorum Business Park, Benton Lane, Newcastle-upon-Tyne, Tyne and Wear, NE12 8EX.

The Company changed its name from ENGIE Regeneration Limited to EQUANS Regeneration Limited on 4 April 2022.

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 where otherwise indicated.

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

The 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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. ACCOUNTING POLICIES (continued)

2.3 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 June 2023. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

As mentioned in the Company's 2020 strategic report, during 2020 the ENGIE Group announced its Strategic Review of part of its Client Solutions business line, a project launched towards the potential creation of a new leader in multi-technical services, which would benefit from scale and strong growth prospects.

During 2021, a directly held subsidiary of ENGIE S.A., EQUANS S.A.S., was established as the parent of this global multi-technical services leader. The EQUANS sub-group employs 74,000 people in 17 countries, of which 27,000 are located in France, and generates an annual turnover of over €12 billion. On 5 November 2021, ENGIE entered into exclusive negotiations with Bouygues for the sale of 100% of EQUANS. On 12 May 2022, ENGIE and Bouygues signed the EQUANS Share Purchase Agreement, following the conclusion of employee consultation. The completion of the acquisition of EQUANS remains subject to the finalisation of the constitution of EQUANS' perimeter by ENGIE and to obtaining clearances from all relevant foreign investment control and antitrust authorities. The completion of the deal is expected in the second half of 2022, as per the initial schedule.

The Directors have considered the intended disposal of EQUANS S.A.S. by ENGIE S.A., which was confirmed on 5 November 2021. The decision to sell the EQUANS business does not adversely impact the Company's day-to-day operations. Following the transfer of cash pooling arrangements from the ENGIE Treasury Management to EQUANS S.A.S. on 25 April 2022, the Company has no ongoing cash funding relationship with the wider ENGIE Group beyond EQUANS. EQUANS S.A.S. has the ability to provide continuing support to the Company, irrespective of whether EQUANS remains part of the ENGIE Group, or if it is sold, as planned, to Bouygues.

The impact on the Company's funding arrangements, arising from the disposal of EQUANS S.A.S. and its subsidiaries to Bouygues, would be minimal. Existing debts and short-term working capital facilities provided by a £20m negative balance limit with the cash pool would continue to be made available by EQUANS S.A.S. and which the Directors consider is sufficient even under a plausible downside in results. No debt or short-term borrowings under the existing cash pooling arrangements would be repayable.

The Company does not have third party borrowings (external to the ENGIE Group). EQUANS S.A.S. is not dependent on Bouygues, nor ENGIE S.A., for its future funding, and it has sufficient equity and liquidity to support the Company.

The Company has received an uncapped letter of support from EQUANS S.A.S. The Directors have considered the ability of EQUANS S.A.S. to provide financial support to the Company and have satisfied themselves that EQUANS S.A.S. is able to provide support for a period to 30 June 2023.

The budgeted cash flows for the Company (which show sufficient headroom even after considering a reasonably plausible downside), positive post year-end results, available liquidity through use of the negative balance facility with the cash pool, and the EQUANS S.A.S. letter of support, all allow the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 June 2023 and therefore apply the going concern basis of preparation for the statutory accounts for the year ended 31 December 2021.

2. ACCOUNTING POLICIES (continued)

2.4 Revenue

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

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

Step 1 - Identify the contract with the customer

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

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 Revenue (continued)

Step 2 - Identify the performance obligations in the contract

At contract inception the Company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations and contractual promises to transfer distinct goods or services to a customer. For certain 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.

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.

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 most design and build construction 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 reflect an entity's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of an entity's performance obligation). The nature of the good or service that the entity promised to transfer to the customer determines the appropriate method for measuring progress. The Company uses input methods and output methods.

2. ACCOUNTING POLICIES (continued)

2.4 Revenue (continued)

Under the input method the Company recognises 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.

The Company applies output methods to specific long-term contracts. These include methods such as surveys of performance completed to date, appraisals of results achieved or milestones reached.

However, if the contract is in its early stages and it is not possible to reasonably measure progress, but the Company expects to recover the costs incurred during this phase, revenue is recognised to the extent of the costs incurred until such a time that it can measure the progress made.

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.

Costs to obtain a contract

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

Costs to fulfil a contract

Only costs which meet all three of the criteria below are included within contract assets on the balance sheet:

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

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

Amortisation and impairment of contract assets

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

Accrued income and deferred income

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

2. ACCOUNTING POLICIES (continued)

2.5 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattem in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments, discounted by using the Company's incremental borrowing rate. This rate is calculated based on the ENGIE group's incremental borrowing rate adjusted in accordance with IFRS16, taking into accounts:

a) the economic environment of the Company, and in particular their credit risk,
b) the currency in which the contract is concluded; and
c) the duration of the contract at inception (or the remaining duration for the contracts existing upon the initial application of IFRS 16).

The methodolgy applied to determine the incremental borrowing rate reflects the profile of the lease payments (duration method).

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised

2. ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' line in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.16.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

2.6 Government grants

Grants from the government are recognised as Other Operating Income at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. The grants recognised in the financial statements in the prior year all relate to the Coronavirus Job Retention Scheme. There were no unfilled conditions and contingencies attached to recognised grants.

2.7 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.8 Finance costs

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

2. ACCOUNTING POLICIES (continued)

2.9 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 participates in defined benefit plans 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, independent actuaries 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 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

2. ACCOUNTING POLICIES (continued)

2.9 *Pensions (continued)*

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

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 'net interest on net defined benefit liability'.

In addition to recognising the value of its pension liability to the West Midlands Pension Fund, the Company also recognises the value of the contractual assurances pertaining to Birmingham City Council. These assurances mean that the Company's funding would be adjusted to reflect any underlying changes in the pension costs. This assurance provides 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.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:
1. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
2. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2. ACCOUNTING POLICIES (continued)

2.11 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

2.12 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.

The estimated useful lives range as follows:

Computer software	-	3	years
Acquired contracts	-	6	years

2.13 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)

2.13 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:

Long-term leasehold property	- Over the lease term
Plant, equipment, fixtures and fittings	- 10 - 50 years
Right-of-use assets - land and buildings	- Over the lease term
Right-of-use assets - transportation equipment	- Over the lease term
Computer equipment	- 3 - 10 years

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

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

2.14 Impairment of fixed assets and goodwill

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

2.15 Valuation of investments

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

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.17 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.

2.18 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.

2.19 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.

2.20 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.21 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.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

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

2. ACCOUNTING POLICIES (continued)

2.21 Financial instruments (continued)

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 recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective 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.

2.22 Non-recurring items

Non-recurring items are items of financial performance which the Company believes should be presented separately on the face of the income statement to assist in understanding the recurring financial performance achieved by the Company. Such items will not affect the total result presented in accordance with the Financial Standard 101 'Reduced Disclosure Framework', the Companies Act 2006 and other regulations. The Company's results are thus presented to show recurring, non-recurring and total result.

Non-recurring items include costs of major restructuring.

Non-recurring items are disclosed in note 11.

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 costs during the period. However, the nature of estimation means the actual outcomes could differ from those estimates.

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

Revenue recognition

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

At contract inception the Company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations, contractual promises to transfer distinct goods or services to a customer. For contracts with several components, 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 services provided under most design and build construction 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.

Non-recurring items

Judgments are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as non-recurring. Details of items categorised as non-recurring are outlined in note 11.

Provisions and accruals for liabilities

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

Pensions and other post-employee benefits

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

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 of 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 27.

Carrying value of investments

The carrying values of investments is dependent on the future cash flows of the relevant subsidiaries. There was a reduction in the recoverable amount of the investment in EQUANS Regeneration (Apollo) Limited on receipt of a dividend from EQUANS Regeneration (Apollo) Limited during the year. An impairment loss of £17,880,000 was recognised. The Directors have performed an assessment of the recoverability of investments in line with the Company's accounting policies. Following this assessment, the Directors have concluded that the carrying value of investments as at 31 December 2021 of £80,752,000 (2020: £98,632,000) is recoverable.

Guarantees

The Company has entered into performance guarantees in the normal course of business which, at 31 December 2021, amounted to £88,072,000 (2020: £49,382,000). In the opinion of the Directors, no loss is currently foreseeable in respect of these guarantees.

Contracts

In the normal course of its business, the Company is involved in a number of disputes with customers and suppliers. Such disputes can concern alleged breach of contract. To the extent that the Directors believe that it is probable that both an obligation exists and an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation, a provision is made. Where insufficient evidence is provided in support of an alleged breach of contract no provision is made. However, the possible litigation and/or resolution of the disputes could have a material impact on the results and net assets of the business. It is not possible for the Directors to provide an indication of the likely timing or amount of any cash outflow associated with these disputes for which there is no provision, because of the complexity of the disputes and external factors that exist.

4. TURNOVER

All turnover arose within the United Kingdom from the Company's principal activity, which is to provide services which include the refurbishment of social housing such as planned maintenance and capital works, new build social housing for rent, new build elderly accommodation, new build public buildings and the refurbishment and extension of educational facilities.

5. OTHER OPERATING INCOME

	2021 £000	*2020 £000*
Other operating income	-	*10,011*

The other operating income recognised in the previous year relates to income from the Coronavirus Job Retention Scheme of £10,011,000.

6. OPERATING LOSS

The operating loss is stated after charging:

	2021 £000	*2020 £000*
Amortisation of intangible assets	325	*493*
Depreciation of tangible fixed assets	6,384	*6,138*
Defined contribution pension cost	3,993	*4,120*
Defined benefit pension cost	522	*466*
Provision charge	19,999	*6,677*

The fees payable to the Company's auditor for the audit of the annual financial statements of the Company, amount to £133,000 *(2020: £137,000)*. There is no non-audit remuneration paid to the Company's auditor *(2020: £nil)*.

7. EMPLOYEES

Staff costs were as follows:

	2021 £000	*2020 £000*
Wages and salaries	**113,837**	*115,437*
Social security costs	**12,394**	*12,410*
Cost of defined benefit scheme	**522**	*466*
Cost of defined contribution scheme	**3,993**	*4,120*
	130,746	*132,433*

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

	2021 Number	*2020 Number*
Operations	**2,249**	*2,323*
Administration	**497**	*503*
	2,746	*2,826*

With the exception of one Director, the emoluments of the Directors were paid by other group companies, where they were employed, in respect of their services to group companies. All Directors' remuneration is paid in respect of their services to ENGIE in the UK & Ireland. As ENGIE's activities in the UK are extensive, involving a large number of companies, it is not practicable to make an accurate assessment of the qualifying services provided in respect of each ENGIE company in the UK.

8. INCOME FROM SHARES IN GROUP UNDERTAKING

During the year, the Company received dividends of £91.0m *(2020: £nil)* from its subsidiaries. The Company received £40.0m (2020: £nil) in dividends from EQUANS Regeneration (Apollo) Limited and £51.0m (2020: £nil) from EQUANS Regeneration (FHM) Limited.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	*2020 £000*
Bank interest receivable	**-**	*72*

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £000	2020 £000
Bank interest payable	3,342	1,368
Net interest on net defined benefit liability	64	38
Interest on lease liabilities	132	261
	3,538	1,667

11. NON-RECURRING ITEMS

Non-recurring items relate to "Restructuring costs".

Restructuring costs correspond to a restructuring program planned and controlled by management that materially changes either the scope of the business undertaken by the entity, or the manner in which that business is conducted, based on the criteria set out on IAS 37.

	2021 £000	2020 £000
Restructuring costs	13,903	40,383
Other operating income	-	(10,011)
Tax credit	(2,642)	(5,745)
	11,261	24,627

In 2020, the impact of COVID-19 resulted in exceptionally challenging market conditions. As a result, the Company undertook a review of the business with the aim of making efficiencies for the future. This saw changes to some operations which resulted in headcount reductions and office closures, including a decision to not seek future construction and regeneration work in various geographical areas of the UK.

The wind-down of these operations continued into 2021 incurring costs classified as non-recurring of £13.9m (2020: £40.4m). All current live schemes are being completed. The other operating income recognised in the previous year relates to income from the Coronavirus Job Retention Scheme of £10.0m.

12. TAXATION

	2021 £000	*2020 £000*
Corporation tax		
Current tax credit on losses for the year	**(16,680)**	*-*
Adjustments in respect of previous periods	**(520)**	*1,294*
Total current tax (credit)/expense	**(17,200)**	*1,294*
Deferred tax		
Origination and reversal of timing differences	**20,177**	*(18,438)*
Impact of change in tax laws and rates	**(5,642)**	*(119)*
Adjustment in respect of prior periods	**2,235**	*(8)*
Total deferred tax	**16,770**	*(18,565)*
Taxation credit on loss	**(430)**	*(17,271)*

12. TAXATION (continued)

Factors affecting tax credit for the year

The tax assessed for the year ended 31 December 2021 is lower than *(2020: higher than)* the standard rate of corporation tax in the UK of 19.00% *(2020: 19.00%)*. The differences are explained below:

	2021 **£000**	*2020* *£000*
Profit/(loss) before tax	**62,607**	*(78,794)*
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	**11,895**	*(14,971)*
Effects of:		
Expenses not deductible for tax purposes	**3,416**	*630*
Fixed asset differences	**70**	*106*
Adjustment in respect of prior periods	**1,715**	*1,286*
Current year rate differential for deferred taxes	**(314)**	*(567)*
Deferred tax movement not recognised	**-**	*(3,808)*
Transfer pricing adjustments	**33**	*53*
Charge relating to remeasurements on the defined benefit scheme	**102**	-
Research and development expenditure credits	**(38)**	-
Non-taxable income	**(17,290)**	-
Other differences	**(19)**	-
Total tax credit for the year	**(430)**	*(17,271)*

Factors that may affect future tax expenses

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

13. INTANGIBLE ASSETS

	Goodwill £000	Computer software £000	Acquired contracts £000	Total £000
Cost				
At 1 January 2021	12,947	557	1,846	15,350
Additions	-	138	-	138
At 31 December 2021	12,947	695	1,846	15,488
Amortisation				
At 1 January 2021	12,947	277	1,406	14,630
Charge for the year	-	170	155	325
At 31 December 2021	12,947	447	1,561	14,955
Net book value				
At 31 December 2021	-	248	285	533
At 31 December 2020	*-*	*280*	*440*	*720*

14. TANGIBLE ASSETS

	Long-term leasehold property £000	Plant, equipment, fixtures and fittings £000	Right-of-use assets - land and buildings £000	Computer equipment £000	Right-of-use assets - transportation equipment £000
Cost or valuation					
At 1 January 2021	1,049	1,783	8,474	2,279	10,337
Additions	-	28	155	281	6,292
Disposals	-	-	(926)	-	(1,911)
At 31 December 2021	1,049	1,811	7,703	2,560	14,718
Depreciation					
At 1 January 2021	681	401	3,201	1,420	4,880
Charge for the year on owned assets	197	195	-	574	-
Charge for the year on right-of-use assets	-	-	1,777	-	3,641
Disposals	-	-	(926)	-	(1,911)
At 31 December 2021	878	596	4,052	1,994	6,610
Net book value					
At 31 December 2021	171	1,215	3,651	566	8,108
At 31 December 2020	*368*	*1,382*	*5,273*	*859*	*5,457*

14. TANGIBLE ASSETS (continued)

	Total £000
Cost or valuation	
At 1 January 2021	23,922
Additions	6,756
Disposals	(2,837)
At 31 December 2021	27,841
Depreciation	
At 1 January 2021	10,583
Charge for the year on owned assets	966
Charge for the year on right-of-use assets	5,418
Disposals	(2,837)
At 31 December 2021	14,130
Net book value	
At 31 December 2021	13,711
At 31 December 2020	*13,339*

15. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2021	**197,385**
At 31 December 2021	**197,385**
Impairment	
At 1 January 2021	**98,753**
Charge for the period	**17,880**
At 31 December 2021	**116,633**
Net book value	
At 31 December 2021	**80,752**
At 31 December 2020	*98,632*

During the year, the Company recognised a £17.9m impairment loss *(2020: £nil)*.

There was a reduction in the recoverable amount of the investment in EQUANS Regeneration (Apollo) Limited on receipt of a dividend from EQUANS Regeneration (Apollo) Limited. The impairment loss has been recogised within recurring income to reflect the fact that the impairment loss arose from the dividend income which forms part of recurring income. Details relating to this dividend are disclosed within note 8.

15. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
EQUANS Property Services Limited	Ordinary	100%
EQUANS Regeneration (Bramall) Limited	Ordinary / Preferred ordinary	100%
EQUANS Regeneration (FHM) Limited	Ordinary / Redeemable preferred ordinary	100%
EQUANS Regeneration (Apollo) Limited	Ordinary	100%
Keighley Metering Services Limited	Ordinary	100%
EQUANS in Partnership Limited*	Ordinary	100%
FWA West Ltd*	Ordinary	100%

* These shares are indirectly held by the Company.

The companies above were all incorporated in England and Wales.

16. STOCKS

	2021 £000	2020 £000
Property held for sale	**525**	-

17. DEBTORS

	2021 £000	2020 £000
Due after more than one year		
Trade debtors	**16,691**	*13,055*
Deferred tax asset	**2,513**	*20,102*
	19,204	*33,157*
Due within one year		
Trade debtors	**50,182**	*45,613*
Amounts owed by group undertakings	**185,220**	*166,061*
Other debtors	**1,507**	*9,131*
Prepayments and accrued income	**2,177**	*4,851*
Amounts recoverable on long term contracts	**104,411**	*66,892*
Group relief receivable from group undertakings	**18,475**	-
	381,176	*325,705*

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000	*2020 £000*
Payments received on account	**23,257**	*25,322*
Trade creditors	**23,380**	*27,755*
Amounts owed to group undertakings	**58,656**	*121,447*
Corporation tax	**-**	*2,601*
Other taxation and social security	**20,121**	*5,806*
Lease liabilities	**4,991**	*3,523*
Other creditors	**597**	*825*
Accruals and deferred income	**103,106**	*79,061*
	234,108	*266,340*

Amounts owed to group undertakings are unsecured and interest free.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £000	*2020 £000*
Lease liabilities	**6,580**	*6,990*
Trade creditors	**13,073**	*9,923*
Amounts owed to group undertakings	**-**	*51,182*
	19,653	*68,095*

Amounts owed to group undertakings consist of an intercompany balance with EQUANS Regeneration (FHM) Limited which is unsecured and non-interest bearing. This loan was repaid in full on 20 December 2021 *(2020: balance of £51,182,000).*

20. FINANCIAL INSTRUMENTS

	2021 £000	*2020 £000*
Financial assets		
Financial assets measured at amortised cost	**253,601**	*320,433*
Financial liabilities		
Financial liabilities measured at amortised cost	**(198,811)**	*(318,909)*

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts recoverable on long term contracts, amounts owed by group undertakings and other debtors.

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

21. DEFERRED TAXATION

	2021 £000	2020 £000
At beginning of year	20,102	1,006
Adjustment in respect of prior years	(16,771)	18,565
(Debited)/credited to other comprehensive income	(818)	531
At end of year	2,513	20,102

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	420	264
Short term timing differences	372	39
Pension timing differences	372	416
Related to pension schemes	143	962
Tax losses carried forward	1,206	18,421
	2,513	20,102

The value of unused tax losses for which no deferred tax asset has been recognised is £nil *(2020: £20,125,000).*

22. PROVISIONS

	Onerous contract provision £000	Dilapidations provision £000	Other risks provision £000	Restructuring provision £000	Total £000
At 1 January 2021	8,671	995	1,075	18,204	28,945
Charged to profit or loss	1,677	319	4,100	13,903	19,999
Utilised in year	(8,672)	(223)	(181)	(24,167)	(33,243)
At 31 December 2021	**1,676**	**1,091**	**4,994**	**7,940**	**15,701**

The onerous contract provision relates to strategically acquired ongoing contracts. A provision was calculated based on expected discounted cash flows and represents the present value of losses to be incurred until termination of the contracts. The provision has been utilised within the year.

The dilapidations provision covers all of the Company's leased estate. A provision was calculated by an independent external valuer and the provision represents the present value of costs to be incurred to bring leased property back to its original condition. The provision is expected to be utilised within five years.

A provision is recognised in the financial statements based on management's expectation of the potential remediation or reimbursement of costs, following a review of issues and defects within legacy contracts. The provision has been recorded as a current liability, however the estimates and timing of cash flow may change over time as further information is assessed and remedial works progress.

The restructuring provision balance comprises restructuring transactions where a constructive obligation exists, but where the costs have not yet been incurred at the year end. This provision will be utilised in the short-term. This can relate to contracts which become onerous as a result of a restructuring program planned and controlled by management that materially changes either the scope of the business undertaken by the entity, or the manner in which that business is conducted.

23. LEASES

Company as a lessee

The Company has entered into a commercial lease on certain properties and motor vehicle leases.

Lease liabilities are due as follows:

	2021	*2020*
	£000	*£000*
Not later than one year	**4,991**	*3,523*
Between one year and five years	**4,200**	*3,928*
Later than five years	**2,380**	*3,062*
	11,571	*10,513*

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2021	*2020*
	£000	*£000*
Interest expense on lease liabilities	**132**	*261*

24. CALLED UP SHARE CAPITAL

	2021 **£000**	*2020* *£000*
Allotted, called up and fully paid		
4,762,162 *(2020: 4,762,160)* Ordinary shares of £1.00 each	**4,762**	*4,762*

On 29 December 2021, 2 ordinary share were issued for consideration of £59,700,000, this was settled through inter company payments.

25. RESERVES

Share premium account

The share premium account relates to the amount above nominal value received for shares issued.

Profit and loss account

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

The Directors have not approved a dividend for the year ended 31 December 2021 *(2020: £nil)*.

26. CONTINGENT LIABILITIES

The Company has entered into performance guarantees in the normal course of business which, at 31 December 2021, amounted to £88,072,000 *(2020: £49,382,000)*. In the opinion of the Directors, no loss will arise in respect of these guarantees.

In the normal course of its business, the Company is involved in a number of disputes with customers and suppliers. Such disputes can concern alleged breach of contract. To the extent that the Directors believe that it is probable that both an obligation exists and an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation, a provision is made. Where insufficient evidence is provided in support of an alleged breach of contract no provision is made. However, the possible litigation and/or resolution of the disputes could have a material impact on the results and net assets of the business. It is not possible for the Directors to provide an indication of the likely timing or amount of any cash outflow associated with these disputes for which there is no provision, because of the complexity of the disputes and external factors that exist.

The Company has provided certain banking cross guarantees to fellow group companies.

27. PENSIONS

The company participates in two multi-employer defined benefit pension schemes. Both schemes are multi-employer Local Government Pension Schemes namely Durham County Council Pension Fund and the West Midlands Pension Fund.

Responsibility for governance of the scheme, 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 scheme's regulations.

The net pension liability is split between the schemes as follows:

	2021 £000	2020 £000
Durham County Council Pension Fund	**(224)**	*(1,011)*
West Midlands Pension Fund	**(348)**	*(4,049)*
	(572)	*(5,060)*

Reconciliation of present value of plan assets and liabilities:

Durham County Council Pension Fund

	2021 £000	2020 £000
Reconciliation of net pension scheme liability		
At the beginning of the year	**(1,011)**	*(1,426)*
Current service cost	**(48)**	*(42)*
Interest income	**69**	*102*
Interest cost	**(83)**	*(130)*
Actuarial gains	**838**	*470*
Employer contributions	**11**	*19*
Past service cost	**-**	*(4)*
At the end of the year	**(224)**	*(1,011)*

27. PENSIONS (continued)

West Midlands Pension Fund

	2021 £000	2020 £000
Reconciliation of net pension scheme		
At the beginning of the year	**(4,049)**	*(614)*
Current service cost	**(454)**	*(408)*
Administration expenses	**(14)**	*(12)*
Interest income	**250**	*411*
Interest cost	**(300)**	*(421)*
Actuarial gains/(losses)	**4,002**	*(3,266)*
Employer contributions	**223**	*261*
Past service cost	**(6)**	-
At the end of the year	**(348)**	*(4,049)*

Net pension scheme liability:

	2021 £000	2020 £000
Fair value of plan assets	**28,067**	*25,110*
Present value of plan liabilities	**(28,639)**	*(30,170)*
Net pension scheme liability	**(572)**	*(5,060)*

Reconciliation of present value of plan liabilities for the two schemes:

	2021 £000	2020 £000
Reconciliation of present value of plan liabilities for the two schemes:		
At the beginning of the year	**(30,170)**	*(26,676)*
Current service cost	**(502)**	*(450)*
Interest cost	**(383)**	*(551)*
Actuarial gains/(losses)	**1,910**	*(2,725)*
Member contributions	**(63)**	*(76)*
Benefits paid	**575**	*312*
Past service cost	**(6)**	*(4)*
At the end of the year	**(28,639)**	*(30,170)*

27. PENSIONS (continued)

Reconciliation of fair value of plan assets for the two schemes above:

	2021 £000	*2020 £000*
Reconciliation of the fair value of value plan assets		
At the beginning of the year	**25,110**	*24,636*
Interest income	**319**	*513*
Actuarial gains	**2,930**	*909*
Employer contributions	**234**	*280*
Member contributions	**63**	*76*
Benefits paid	**(575)**	*(312)*
Administration expenses	**(14)**	*(12)*
Other actuarial losses	**-**	*(980)*
At the end of the year	**28,067**	*25,110*

The amounts recognised in the Income Statement are as follows:

	2021 £000	*2020 £000*
Durham County Council Pension Fund	**(62)**	*(74)*
West Midlands Pension Fund	**(524)**	*(430)*
Total	**(586)**	*(504)*

The Company expects to contribute £212,000 to its Defined Benefit Pension Schemes in 2022 (*2021: £269,000*).

27. PENSIONS (continued)

Reconciliation of total amounts in the Income Statement:

	2021 £000	*2020* *£000*
Current service cost	(502)	*(450)*
Net interest cost on net pension liability	(64)	*(38)*
Administration expenses	(14)	*(12)*
Past service cost	(6)	*(4)*
Total expense in the Income Statement	(586)	*(504)*

The amounts recognised in the Statement of Comprehensive Income by scheme were as follows:

	2020 £000	*2019* *£000*
Durham County Council Pension Fund	838	*470*
West Midlands Pension Fund	4,002	*(3,266)*
	4,840	*(2,796)*

Reconciliation of the amount included in the Statement of Comprehensive Income:

	2021 £000	*2020* *£000*
Analysis of actuarial gain/(loss) recognised in Other Comprehensive Income		
Actual return less interest income included in net interest expense	2,930	*909*
Changes in assumptions underlying the present value of the scheme liabilities	1,910	*(3,705)*
	4,840	*(2,796)*

27. PENSIONS (continued)

The Durham County Council Pension Fund is a multi-employer scheme. The assets of the scheme are held in independently administered funds and have been accounted for as defined benefit obligations. The Company is responsible for funding the pension benefits for its employees only.

The most recent full actuarial valuations of the multi-employer scheme was at 31 March 2019 and this has been updated to 31 December 2021 by qualified independent actuaries.

The key assumptions are as follows:

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2021	*2020*
	%	*%*
Discount rate	**2.0**	*1.4*
Future salary increases	**3.7**	*3.2*
Future pension increases	**2.7**	*2.2*
Mortality rates (expressed in years)		
- for a male aged 65	**22.3**	*22.2*
- at 65 for a male aged 45	**23.3**	*23.2*
- for a female aged 65	**24.3**	*24.2*
- at 65 for a female aged 45	**25.8**	*25.7*

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.

West Midlands Pension Fund

It is estimated that an increase in the discount rate of 0.1% would decrease scheme liabilities by £453,000 and a decrease in the discount rate of 0.1% would increase scheme liabilities by £462,000.

It is estimated that an increase in the inflation rate of 0.1% would increase scheme liabilities by £371,000 and a decrease in the inflation rate of 0.1% would decrease scheme liabilities by £363,000.

It is estimated that a 1 year increase in the member life expectancy would increase scheme liabilities by £1,004,000 and a decrease in the member life expectancy of 1 year would decrease scheme liabilities by £961,000.

It is estimated that an increase in the salary increase rate of 0.1% would increase scheme liabilities by £86,000 and a decrease in the salary increase rate of 0.1% would decrease scheme liabilities by £86,000.

27. PENSIONS (continued)

Durham County Council Pension Fund

It is estimated that an increase in the discount rate of 0.1% would decrease scheme liabilities by £105,000 and a decrease in the discount rate of 0.1% would increase scheme liabilities by £105,000.

It is estimated that an increase in the inflation rate of 0.1% would increase scheme liabilities by £99,000 and a decrease in the inflation rate of 0.1% would decrease scheme liabilities by £99,000.

It is estimated that a 1 year increase in the member life expectancy would increase scheme liabilities by £215,000 and a decrease in the member life expectancy of 1 year would decrease scheme liabilities by £210,000.

It is estimated that an increase in the salary increase rate of 0.1% would increase scheme liabilities by £6,000 and a decrease in the salary increase rate of 0.1% would decrease scheme liabilities by £6,000.

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 liability to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with 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 2021 assumptions have been carefully reviewed with the actuary.

Contractual pension assurances

The West Midlands Pension fund is a multi-employer scheme. The assets of the scheme are held in independently administered funds and have been accounted for as defined benefit obligations. The Company is responsible for funding the pension benefits for its employees only. The estimated weighted average duration of the defined benefit obligation of the Scheme is 20 years.

The most recent full actuarial valuations of the multi-employer scheme was at 1 April 2019 and this has been updated to 31 December 2021 by qualified independent actuaries.

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

The Company has contractual assurances 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 Birmingham City 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 Birmingham City Council to another Council owned company within its group were triggered and Birmingham City Council has accepted responsibility for all pension liabilities.

27. PENSIONS (continued)

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.

Net pension liability in the Statement of Financial Position:

	2021 £000	*2020 £000*
Deficit in the pension scheme	**348**	*4,049*
Pension reimbursement debtor (Included within Other Debtors – Note 17)	**(348)**	*(4,049)*
	-	*-*

The major categories of scheme assets were as follows:

	West Midlands Pension Fund 2021	**Durham County Council Pension Fund 2021**	*West Midlands Pension Fund 2020*	*Durham County Council Pension Fund 2020*
Equities	**61%**	**54%**	*59 %*	*50 %*
Gilts	**8%**	**-**	*10 %*	*-*
Other bonds	**6%**	**22%**	*4 %*	*39 %*
Property	**7%**	**7%**	*7 %*	*7 %*
Cash	**4%**	**3%**	*6 %*	*4 %*
Other	**14%**	**14%**	*14 %*	*-*
	100%	**100%**	*100 %*	*100 %*

27. PENSIONS (continued)

Information about the defined benefit obligation for the West Midlands Pension Fund is as follows:

	Number of members 2021	*Number of members 2020*
Active members	**43**	*43*
Deferred members	**4**	*4*
Pensioners	**17**	*17*
	64	*64*

Information about the defined benefit obligation for the Durham County Council Pension Fund is as follows:

	Number of members 2021	*Number of members 2020*
Active members	**4**	*4*
Deferred members	**4**	*4*
Pensioners	**15**	*15*
	23	*23*

Risks to which the pension scheme exposes the Company

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

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield, this will create a deficit. The scheme holds a small proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields

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

Inflation risk

Some of the scheme's 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 scheme against extreme inflation).

27. PENSIONS (continued)

Life expectancy

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

Risk management

The Company has not changed the processes used to manage its risks from previous periods. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Defined contribution pension scheme

In addition to the defined benefit pension scheme, the Company also operates a defined contribution pension scheme. The assets of the 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 £3,993,000 *(2020: £4,120,000)*. The estimated weighted average duration of the defined benefit obligation of the Scheme is 18 years.

28. POST BALANCE SHEET EVENTS

On 4 April 2022, ENGIE Regeneration Limited changed its name to EQUANS Regeneration Limited.

29. CONTROLLING PARTY

The immediate parent company of the Company is EQUANS Regeneration Holdings Limited (formerly ENGIE Regeneration Holdings Limited), a company registered in England and Wales. The Directors regard ENGIE S.A. as the ultimate parent company and controlling party of EQUANS Regeneration 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.