

Company Registration No 2980221 (England and Wales)

**CHN ELECTRICAL SERVICES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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# CHN ELECTRICAL SERVICES LIMITED

## COMPANY INFORMATION

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### Directors

Mr I L Cole  
Mr R G Nicholls  
Mr R M Hopkins  
Mr C Sly (Appointed 29 March 2007)  
Mr D S Cole

### Secretary

Mr C Sly

### Company number

2980221

### Registered office

CHN House  
Straits Road  
Lower Gornal  
Dudley  
DY3 2UY

### Auditors

AGS Accountants & Business Advisors Limited  
Unit 1, Castle Court 2  
Castlegate Way  
Dudley  
DY1 4RH

### Bankers

Barclays Bank  
47 High Street  
Dudley  
DY1 1PP

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# CHN ELECTRICAL SERVICES LIMITED

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# **CHN ELECTRICAL SERVICES LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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The directors present their report and financial statements for the year ended 30 September 2007

#### **Principal activities and review of the business**

The principal activity of the company continued to be that of an electrical contractor

The aim of this report is to present a balanced and comprehensive review of the development of the business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in context of the risks and uncertainties it faces.

On 10 January 2008 CHN Group Ltd ("Group") acquired 100% of the share capital of CHN Electrical Services Ltd ("CHN"). CHN receives central services from Group for which it pays a management charge.

CHN installs and maintains a raft of electrical services in the commercial sector. The majority of this work is with local authorities under the Partnering ethos. The nature of these contracts together with the long standing customer relationships mean that the risk profile of CHN is limited.

The business environment in which CHN operates continues to be competitive. The market is consolidating as private equity companies continue to enter the market and gear up their acquisitions. Customers are beginning to appreciate that private equity owned businesses are focused on the short term and are predominately concerned with the sale of these businesses within 3 to 5 years. CHN is confident that this growing perception will assist customer retention and the winning of new business. The continued heightened interest rate environment is welcomed by CHN as the Group's net funds will grow whilst indebted rivals will suffer.

CHN's Gross Margin improved to 12.2% from 10.1% reflecting cost controls and the select approach to tendering. CHN is confident about future trading.

The directors have made themselves aware of all relevant audit information. The auditors have been informed of all this information.

#### **Results and dividends**

The results for the year are set out on page 5.

No ordinary dividend has been declared for the year.

#### **Directors**

The following directors have held office since 1 October 2006

Mr I L Cole

Mr R G Nicholls

Mr R M Hopkins

Mr C Sly

(Appointed 29 March 2007)

Mr D S Cole

Mr A Dudley

(Resigned 29 March 2007)

# CHN ELECTRICAL SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

### Directors' interests

The directors' interests in the shares of the company were as stated below

	Ordinary shares of £1 each	
	30 September 2007	1 October 2006
Mr R G Nicholls	240	240
Mr I L Cole	480	480
Mr R M Hopkins	240	240
Mr C Sly	-	-
Mr D S Cole	40	40

### Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, AGS Accountants & Business Advisors Limited, will be deemed to be reappointed for each succeeding financial year.

### Directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

### Statement of disclosure to auditors

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr I L Cole

Director

11 January 2008

# **CHN ELECTRICAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF CHN ELECTRICAL SERVICES LIMITED**

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We have audited the financial statements of CHN Electrical Services Limited on pages 5 to 18 for the year ended 30 September 2007 which have been prepared on the basis of the accounting policies set out therein

#### **Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by or on behalf of the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements

# **CHN ELECTRICAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE SHAREHOLDERS OF CHN ELECTRICAL SERVICES LIMITED**

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#### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

**AES**

**AGS Accountants & Business Advisors Limited**

11 January 2008

Accountants

**Registered Auditor**

Unit 1, Castle Court 2  
Castlegate Way  
Dudley  
DY1 4RH

# CHN ELECTRICAL SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	Notes	2007 £	2006 £
Turnover	2	5,703,691	6,485,715
Cost of sales		(5,008,846)	(5,828,489)
<b>Gross profit</b>		694,845	657,226
Administrative expenses		(592,907)	(631,438)
<b>Operating profit</b>	3	101,938	25,788
Other interest receivable and similar income	4	4,519	7,125
<b>Profit on ordinary activities before taxation</b>		106,457	32,913
Tax on profit on ordinary activities	5	(29,143)	(5,969)
<b>Profit for the year</b>	12	77,314	26,944

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# CHN ELECTRICAL SERVICES LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2007

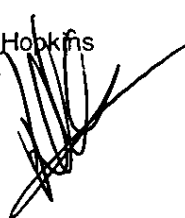
	Notes	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Tangible assets	6		1,695		687
<b>Current assets</b>					
Stocks	7	30,456		42,794	
Debtors	8	1,513,267		1,722,589	
Cash at bank and in hand		50,000		50,000	
		<u>1,593,723</u>		<u>1,815,383</u>	
<b>Creditors amounts falling due within one year</b>	9	<u>(1,440,480)</u>		<u>(1,738,446)</u>	
<b>Net current assets</b>			153,243		76,937
<b>Total assets less current liabilities</b>			<u>154,938</u>		<u>77,624</u>
<b>Capital and reserves</b>					
Called up share capital	11		1,000		1,000
Profit and loss account	12		153,938		76,624
<b>Shareholders' funds</b>	13		<u>154,938</u>		<u>77,624</u>

Approved by the Board and authorised for issue on 11 January 2008

Mr R G Nicholls  
Director



Mr R M Hopkins  
Director



# CHN ELECTRICAL SERVICES LIMITED

## CASH FLOW STATEMENT

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	£	2007 £	£	2006 £
<b>Net cash inflow from operating activities</b>		52,127		1,482
<b>Returns on investments and servicing of finance</b>				
Interest received	4,519		7,125	
<b>Net cash inflow for returns on investments and servicing of finance</b>		4,519		7,125
<b>Taxation</b>		(7,251)		(21,233)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(1,500)		(503)	
<b>Net cash outflow for capital expenditure</b>		(1,500)		(503)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		47,895		(13,129)
<b>Increase/(decrease) in cash in the year</b>		47,895		(13,129)

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE CASH FLOW STATEMENT

### FOR THE YEAR ENDED 30 SEPTEMBER 2007

1	Reconciliation of operating profit to net cash inflow from operating activities	2007		2006	
		£		£	
	Operating profit	101,938		25,788	
	Depreciation of tangible assets	492		754	
	Decrease/(increase) in stocks	12,338		(30,377)	
	Decrease/(increase) in debtors	209,322		(144,473)	
	(Decrease)/Increase in creditors within one year	(271,963)		149,790	
	<b>Net cash inflow from operating activities</b>	<b>52,127</b>		<b>1,482</b>	
2	Analysis of net debt	1 October 2006	Cash flow	Other non-cash changes	30 September 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	50,000	-	-	50,000
	Bank overdrafts	(157,780)	47,895	-	(109,885)
		<u>(107,780)</u>	<u>47,895</u>	<u>-</u>	<u>(59,885)</u>
	Bank deposits	-	-	-	-
	<b>Net debt</b>	<b>(107,780)</b>	<b>47,895</b>	<b>-</b>	<b>(59,885)</b>
3	Reconciliation of net cash flow to movement in net debt	2007		2006	
		£		£	
	Increase/(decrease) in cash in the year	47,895		(13,129)	
	<b>Movement in net debt in the year</b>	<b>47,895</b>		<b>(13,129)</b>	
	Opening net debt	(107,780)		(94,651)	
	<b>Closing net debt</b>	<b>(59,885)</b>		<b>(107,780)</b>	

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Plant and machinery	50% p a
Fixtures, fittings & equipment	33% - 50% p a

#### 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### 1.5 Stock

Stock is valued at the lower of cost and net realisable value

#### 1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

#### 1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

### 3 Operating profit

	2007	2006
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	492	754
Operating lease rentals		
- Plant and machinery	3,350	2,022
Auditors' remuneration (including expenses and benefits in kind)	1,200	1,200

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2007

<b>4</b>	<b>Investment income</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Bank interest	4,519	7,125
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Taxation</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	29,143	7,251
	Adjustment for prior years	-	(1,282)
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>29,143</b>	<b>5,969</b>
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	106,457	32,913
		<u>          </u>	<u>          </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 19.00%)	31,937	6,253
		<u>          </u>	<u>          </u>
	Effects of		
	Non deductible expenses	981	931
	Depreciation add back	148	143
	Capital allowances	(233)	(77)
	Adjustments to previous periods	-	(1,281)
	Other tax adjustments	(3,690)	-
		<u>          </u>	<u>          </u>
		(2,794)	(284)
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>29,143</b>	<b>5,969</b>
		<u>          </u>	<u>          </u>

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 6 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 October 2006	5,200	5,730	10,930
Additions	-	1,500	1,500
	<hr/>	<hr/>	<hr/>
At 30 September 2007	5,200	7,230	12,430
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 October 2006	5,200	5,043	10,243
Charge for the year	-	492	492
	<hr/>	<hr/>	<hr/>
At 30 September 2007	5,200	5,535	10,735
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 September 2007	-	1,695	1,695
	<hr/>	<hr/>	<hr/>
At 30 September 2006	-	687	687
	<hr/>	<hr/>	<hr/>

### 7 Stocks

	2007	2006
	£	£
Raw materials and consumables	30,456	42,794
	<hr/>	<hr/>

### 8 Debtors

	2007	2006
	£	£
Trade debtors	1,496,862	1,614,409
Other debtors	3,393	94,475
Prepayments and accrued income	13,012	13,705
	<hr/>	<hr/>
	1,513,267	1,722,589
	<hr/>	<hr/>

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

9 Creditors amounts falling due within one year	2007 £	2006 £
Bank loans and overdrafts	109,885	157,780
Trade creditors	427,448	348,733
Amounts owed to parent and fellow subsidiary undertakings	463,382	839,137
Corporation tax	29,143	7,251
Other taxes and social security costs	248,268	269,972
Other creditors	161,454	99,292
Accruals and deferred income	900	16,281
	<u>1,440,480</u>	<u>1,738,446</u>

The bank overdraft is secured by cross guarantees and debentures between CHN Electrical Services Limited, CHN Contractors Limited, CHN Group Limited, CHN Gas Service and Maintenance Limited, CHN Special Projects Limited and Industry Development Services Limited

## 10 Pension costs

### Defined contribution

	2007 £	2006 £
Contributions payable by the company for the year	<u>4,218</u>	<u>4,921</u>

## 11 Share capital

	2007 £	2006 £
<b>Authorised</b>		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 October 2006	76,624
Profit for the year	77,314
	<hr/>
Balance at 30 September 2007	153,938
	<hr/>

### 13 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	77,314	26,944
Opening shareholders' funds	77,624	50,680
	<hr/>	<hr/>
Closing shareholders' funds	154,938	77,624
	<hr/>	<hr/>

### 14 Financial commitments

At 30 September 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 September 2008

	2007 £	Other 2006 £
Operating leases which expire		
Within one year	25,003	6,692
Between two and five years	39,450	58,015
	<hr/>	<hr/>
	64,453	64,707
	<hr/>	<hr/>



# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2007

#### 15 Employees

##### Number of employees

The average monthly number of employees (including directors) during the year was

2007 Number	2006 Number
68	97

##### Employment costs

	2007 £	2006 £
Wages and salaries	1,589,582	2,178,314
Social security costs	159,998	216,248
Other pension costs	4,218	4,921
	<u>1,753,798</u>	<u>2,399,483</u>

# CHN ELECTRICAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

### 16 Related party transactions

The following companies are connected as defined by section 346 of the Companies Act 1985, in that Mr I Cole, Mr R M Hopkins, Mr R G Nicholls and Mr C Sly are directors of CHN Group Limited, CHN Contractors Limited, CHN Gas Service and Maintenance Limited, CHN Special Projects Limited, Industry Development Services Limited and Seven Capital Limited. Mr D S Cole is also a director of CHN Contractors Limited.

During the year the company undertook the following arms length transactions

#### Sales

	2007 £	2006 £
CHN Contractors Limited	832,461	876,200
CHN Gas Service & Maintenance Limited	22,826	16,254
Industry Development Services Limited	3,326	-
CHN Group Limited	6,425	-
CHN Special Projects Limited	7,386	633
	<u>872,424</u>	<u>893,087</u>

#### Purchases

	2007 £	2006 £
CHN Contractors Limited	3,918	5,037
CHN Gas Service & Maintenance Limited	793	38
	<u>4,711</u>	<u>5,075</u>

#### Management Charges Incurred

	2007 £	2006 £
CHN Group Limited	<u>180,000</u>	<u>180,000</u>

### 17 Post balance sheet events

On 10 January 2008 CHN Group Limited acquired 100% of the share capital of CHN Electrical Services Limited.

**CHN ELECTRICAL SERVICES LIMITED**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

# CHN ELECTRICAL SERVICES LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

		2007		2006
	£	£	£	£
<b>Turnover</b>				
Sales		5,703,691		6,485,715
<b>Cost of sales</b>				
Opening stock of raw materials	42,794		12,417	
Purchases	1,987,890		2,034,159	
Wages and salaries	1,332,463		1,873,330	
Employer's N I contributions	128,744		182,847	
Subcontract labour	1,301,108		1,493,183	
Motor Vehicle leasing	91,301		96,031	
Motor running expenses	144,529		156,783	
Hire of plant and machinery	10,473		22,533	
	5,039,302		5,871,283	
Closing stock of raw materials	(30,456)		(42,794)	
		(5,008,846)		(5,828,489)
<b>Gross profit</b>	12 18%	694,845	10 13%	657,226
<b>Administrative expenses</b>		(592,907)		(631,438)
<b>Operating profit</b>		101,938		25,788
<b>Other interest receivable and similar income</b>				
Bank interest received		4,519		7,125
<b>Profit before taxation</b>	1 87%	106,457	0 51%	32,913

# CHN ELECTRICAL SERVICES LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	2007 £	2006 £
<b>Administrative expenses</b>		
Wages and salaries	257,119	304,984
Employer's N I contributions	31,254	33,401
Staff pension costs	4,218	4,921
Staff recruitment and training	6,427	11,679
Management charges	180,000	180,000
Insurance	42,231	40,918
Light and heat	2,425	2,150
Repairs and maintenance	791	2,514
Printing, postage, stationary and advertising	27,591	21,726
Telephone	12,842	5,498
Computer running costs	340	910
Equipment leasing	3,350	2,022
Travelling expenses	8,403	9,867
Entertaining	620	2,555
Professional fees	1,686	3,865
Audit fees	1,200	1,200
Bank charges	418	571
Bad and doubtful debts	-	(8,170)
Sundry expenses	10,131	7,864
Subscriptions	1,369	2,209
Depreciation on fixtures fittings and equipment	492	754
	<u>592,907</u>	<u>631,438</u>