

Company Registration No 3430063 (England and Wales)

**CHN GROUP LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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# CHN GROUP LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	Mr I L Cole Mr R M Hopkins Mr R G Nicholls Mr C Sly (Appointed 29 March 2007)
<b>Secretary</b>	Mr C Sly
<b>Company number</b>	3430063
<b>Registered office</b>	CHN House Straits Road Lower Gornal Dudley DY3 2UY
<b>Registered auditors</b>	AGS Accountants & Business Advisors Limited Castle Court 2 Castle Gate Way Dudley West Midlands DY1 4RH
<b>Bankers</b>	Barclays Bank 47 High Street Dudley DY1 1PP

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# CHN GROUP LIMITED

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# **CHN GROUP 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

#### **Directors**

The following directors have held office since 1 October 2006

Mr I L Cole

Mr R M Hopkins

Mr R G Nicholls

Mr C Sly

(Appointed 29 March 2007)

Mr A Dudley

(Resigned 29 March 2007)

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

The principal activity of the company continued to be that of a holding company

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.

CHN Group Ltd ("CHN") is the parent company of the following trading companies, CHN Contractors Ltd, CHN Gas Service and Maintenance Ltd, CHN Special Projects Ltd and Industry Development Services Ltd. It is also associated with CHN Electrical Services Ltd by common ownership. On 10 January 2008 CHN Group Limited acquired 100% of the share capital of CHN Electrical Services Limited.

CHN incurs central charges and recharges them to the above companies on a reasonable basis. It also employs several staff and directors whose costs are similarly apportioned. The income of the company is predominately derived from management charges to the businesses listed above. As these businesses are financially sound the directors consider the risk profile of the company is very limited.

The Group companies install and maintain central heating systems, kitchens and bathrooms together with staff training authorised by external trade bodies. 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 the Group companies is limited.

The business environment in which the Group operates continues to be competitive. The market is consolidating as private equity companies enter the market and gear up their acquisitions. The increasing interest rate environment is welcomed by the Group as its net funds position will grow whilst indebted rivals will suffer.

The Group's Gross Margin decreased to 24.2% from 25.4% reflecting the competitive nature of tendering. The Group 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 consolidated profit and loss account for the year is set out on page 6.

# CHN GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2007

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#### Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below

CHN Group Limited

	Ordinary shares of £1 each	
	30 September 2007	1 October 2006
Mr I L Cole	684	667
Mr R M Hopkins	684	667
Mr R G Nicholls	684	667
Mr C Sly	-	-

#### Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the group's performance

#### Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

#### Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

On average, trade creditors at the year end represented 36 (2006- 40) days' purchases

#### 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

# CHN GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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### **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 group and of the profit or loss of the group 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,
- state whether applicable 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Mr I L Cole

**Director**

11 January 2008

# **CHN GROUP LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF CHN GROUP LIMITED**

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We have audited the group and parent company financial statements (the "financial statements") of CHN Group Limited for the year ended 30 September 2007 set out on pages 6 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and the company'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 information in the financial statements.

# **CHN GROUP LIMITED**

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

### **TO THE SHAREHOLDERS OF CHN GROUP 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 group's and parent company's affairs as at 30 September 2007 and of the group's 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

**AGS**

**AGS Accountants & Business Advisors Limited**

11 January 2008

Accountants

**Registered Auditor**

Castle Court 2  
Castle Gate Way  
Dudley  
West Midlands  
DY1 4RH



# CHN GROUP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
Turnover	2	25,346,379	23,240,816
Cost of sales		(19,223,706)	(17,348,175)
<b>Gross profit</b>		<b>6,122,673</b>	<b>5,892,641</b>
Administrative expenses		(4,539,363)	(5,317,903)
Other operating income		20,558	21,417
<b>Operating profit</b>	<b>3</b>	<b>1,603,868</b>	<b>596,155</b>
Investment income	4	20,000	-
Other interest receivable and similar income		55,570	74,455
Interest payable and similar charges	5	(8,950)	(6,563)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>1,670,488</b>	<b>664,047</b>
Tax on profit on ordinary activities	6	(511,614)	(190,453)
<b>Profit on ordinary activities after taxation</b>		<b>1,158,874</b>	<b>473,594</b>

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 GROUP LIMITED

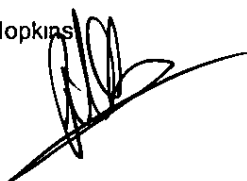
## BALANCE SHEETS

AS AT 30 SEPTEMBER 2007

	Notes	Group 2007 £	2006 £	Company 2007 £	2006 £
<b>Fixed assets</b>					
Intangible assets	8	26,500	26,500	-	-
Tangible assets	9	636,741	729,293	410,239	462,857
Investments	10	500	500	3,050	3,050
		<u>663,741</u>	<u>756,293</u>	<u>413,289</u>	<u>465,907</u>
<b>Current assets</b>					
Stocks	11	124,239	153,267	-	-
Debtors	12	6,123,390	5,439,769	210,957	54,975
Cash at bank and in hand		2,442,550	1,384,066	2,441,941	1,357,668
		<u>8,690,179</u>	<u>6,977,102</u>	<u>2,652,898</u>	<u>1,412,643</u>
<b>Creditors amounts falling due within one year</b>	13	<u>(5,075,077)</u>	<u>(4,592,868)</u>	<u>(2,803,333)</u>	<u>(1,635,220)</u>
<b>Net current assets</b>		<u>3,615,102</u>	<u>2,384,234</u>	<u>(150,435)</u>	<u>(222,577)</u>
<b>Total assets less current liabilities</b>		<u>4,278,843</u>	<u>3,140,527</u>	<u>262,854</u>	<u>243,330</u>
<b>Accruals and deferred income</b>	14	<u>(103,039)</u>	<u>(123,597)</u>	<u>-</u>	<u>-</u>
		<u>4,175,804</u>	<u>3,016,930</u>	<u>262,854</u>	<u>243,330</u>
<b>Capital and reserves</b>					
Called up share capital	16	2,501	2,501	2,501	2,501
Profit and loss account	17	4,173,303	3,014,429	260,353	240,829
<b>Shareholders' funds</b>	18	<u>4,175,804</u>	<u>3,016,930</u>	<u>262,854</u>	<u>243,330</u>

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

Mr R M Hopkins  
Director



Mr R G Nicholls  
Director



# CHN GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2007

	2007	2006
	£	£
<b>Net cash inflow from operating activities</b>	985,804	(914,801)
<b>Returns on investments and servicing of finance</b>		
Interest received	55,570	74,455
Interest paid	(8,950)	(6,563)
Dividends received	20,000	-
<b>Net cash inflow for returns on investments and servicing of finance</b>	66,620	67,892
<b>Taxation</b>	(185,769)	(586,912)
<b>Capital expenditure</b>		
Payments to acquire intangible assets	-	(26,500)
Payments to acquire tangible assets	(14,126)	(96,935)
Receipts from sales of tangible assets	10,500	354,100
<b>Net cash (outflow)/inflow for capital expenditure</b>	(3,626)	230,665
<b>Net cash inflow before management of liquid resources and financing</b>	863,029	(1,203,157)
<b>Increase in cash in the year</b>	863,029	(1,203,157)

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED 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	1,603,868		596,155	
	Depreciation of tangible assets	95,656		91,995	
	Loss on disposal of tangible assets	522		611	
	Decrease/(increase) in stocks	29,028		(5,419)	
	Increase in debtors	(683,621)		(1,289,788)	
	(Decrease)/increase in creditors within one year	(39,091)		(267,137)	
	Movement on grant provision	(20,558)		(41,217)	
	<b>Net cash inflow from operating activities</b>	<b>985,804</b>		<b>(914,801)</b>	
2	Analysis of net funds	1 October 2006	Cash flow	Other non-cash changes	30 September 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,384,066	1,058,484	-	2,442,550
	Bank overdrafts	(802,299)	(195,455)	-	(997,754)
		<u>581,767</u>	<u>863,029</u>	<u>-</u>	<u>1,444,796</u>
	Net funds	<u>581,767</u>	<u>863,029</u>	<u>-</u>	<u>1,444,796</u>
3	Reconciliation of net cash flow to movement in net debt	2007		2006	
		£		£	
	Increase in cash in the year	863,029		(1,203,157)	
	<b>Movement in net funds in the year</b>	<b>863,029</b>		<b>(1,203,157)</b>	
	Opening net funds/(debt)	581,767		1,784,924	
	<b>Closing net funds</b>	<b>1,444,796</b>		<b>581,767</b>	

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED 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 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

##### **1.3 Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

##### **1.4 Turnover**

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

##### **1.5 Goodwill**

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

##### **1.6 Tangible fixed assets and depreciation**

Tangible fixed assets other than freehold land 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:

Land and buildings Freehold	Not depreciated
Land and buildings Leasehold	20% Straight-line
Plant and machinery	25% Reducing balance
Computer equipment	33% Straight-line
Fixtures, fittings & equipment	25% Reducing balance
Motor vehicles	25% Reducing balance

##### **1.7 Leasing**

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

##### **1.8 Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

##### **1.9 Stock**

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

##### **1.10 Pensions**

The Group 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.

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 1 Accounting policies

(continued)

#### 1 11 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### 1 12 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

#### 1 13 Employee Benefit Trusts (EBT's)

The group has established trusts for the benefit of employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the group retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the group until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that the assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the group on the basis of employees' past services to the business and the group can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the group are charged to the profit and loss account in the period to which they relate.

### 2 Turnover

The total turnover of the group 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

95,656

91,995

Loss on disposal of tangible assets

522

611

Operating lease rentals

- Plant and machinery

94,702

105,464

- Other assets

464,384

414,057

Fees payable to the group's auditor for the audit of the group's annual accounts (company £2,200, 2006 £2,400)

24,500

28,800

and after crediting

Government grants

20,558

21,417

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED 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>
	Income from shares in group undertakings	20,000	-
		<u>20,000</u>	<u>-</u>
<b>5</b>	<b>Interest payable</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	6,522	6,563
	Other interest	2,428	-
		<u>8,950</u>	<u>6,563</u>
<b>6</b>	<b>Taxation</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	511,035	200,241
	Adjustment for prior years	579	(9,788)
		<u>511,614</u>	<u>190,453</u>
	<b>Current tax charge</b>		
		<u>511,614</u>	<u>190,453</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	1,670,488	664,047
		<u>1,670,488</u>	<u>664,047</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	501,146	199,214
		<u>501,146</u>	<u>199,214</u>
	<b>Effects of</b>		
	Non deductible expenses	17,483	17,207
	Depreciation add back	20,327	27,783
	Capital allowances	(13,208)	(24,774)
	Adjustments to previous periods	580	(9,788)
	Dividends and distributions received	(6,000)	-
	Other tax adjustments	(8,714)	(19,189)
		<u>10,468</u>	<u>(8,761)</u>
	<b>Current tax charge</b>	<u>511,614</u>	<u>190,453</u>

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2007

#### 7 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows

	2007 £	2006 £
Holding company's profit for the financial year	<u>19,524</u>	<u>17,859</u>

#### 8 Intangible fixed assets

##### Group

	Goodwill £
<b>Cost</b>	
At 1 October 2006 & at 30 September 2007	<u>26,500</u>
<b>Net book value</b>	
At 30 September 2007	<u>26,500</u>
At 30 September 2006	<u>26,500</u>



# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 9 Tangible fixed assets Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 October 2006	386,105	11,188	21,155	565,618	25,605	1,009,671
Additions	-	-	1,896	12,228	-	14,124
Disposals	-	-	-	(1,114)	(14,155)	(15,269)
At 30 September 2007	386,105	11,188	23,051	576,732	11,450	1,008,526
<b>Depreciation</b>						
At 1 October 2006	-	6,340	13,108	249,789	11,139	280,376
On disposals	-	-	-	(592)	(3,655)	(4,247)
Charge for the year	-	2,238	3,123	86,329	3,966	95,656
At 30 September 2007	-	8,578	16,231	335,526	11,450	371,785
<b>Net book value</b>						
At 30 September 2007	386,105	2,610	6,820	241,206	-	636,741
At 30 September 2006	386,105	4,848	8,048	315,826	14,466	729,293

# CHN GROUP LIMITED

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

### Tangible fixed assets (continued)

#### Company

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 October 2006	386,105	1,894	183,300	18,105	589,404
Additions	-	-	4,192	-	4,192
Disposals	-	-	(606)	(14,155)	(14,761)
At 30 September 2007	386,105	1,894	186,886	3,950	578,835
<b>Depreciation</b>					
At 1 October 2006	-	1,895	120,702	3,950	126,547
On disposals	-	-	(84)	(3,655)	(3,739)
Charge for the year	-	-	42,133	3,655	45,788
At 30 September 2007	-	1,895	162,751	3,950	168,596
<b>Net book value</b>					
At 30 September 2007	386,105	(1)	24,135	-	410,239
At 30 September 2006	386,105	(1)	62,598	14,155	462,857

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 10 Fixed asset investments Group

	Shares in group undertakings £
<b>Cost</b>	
At 1 October 2006 & at 30 September 2007	500
<b>Net book value</b>	
At 30 September 2007	500
At 30 September 2006	500

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

### 10 Fixed asset investments Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 October 2006 & at 30 September 2007	3,050

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
CHN Contractors Limited	England & Wales	Ordinary	100
CHN Gas Service & Maintenance Limited	England & Wales	Ordinary	100
CHN Special Projects Limited	England & Wales	Ordinary	100
Industry Development Services Limited	England & Wales	Ordinary	100
CHN Northern Limited	England & Wales	Ordinary	100
CHN Utilities Limited	England & Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	<b>Principal activity</b>
CHN Contractors Limited	Heating & plumbing engineers

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 10 Fixed asset investments

(continued)

CHN Gas Service & Maintenance Limited	Heating & plumbing engineers
CHN Special Projects Limited	Heating & plumbing engineers
Industry Development Services Limited	Gas training & consultancy
CHN Northern Limited	Dormant company
CHN Utilities Limited	Dormant company

### 11 Stocks

	Group 2007 £	2006 £	Company 2007 £	2006 £
Raw materials and consumables	124,239	153,267	-	-

### 12 Debtors

	Group 2007 £	2006 £	Company 2007 £	2006 £
Trade debtors	5,504,703	4,454,158	163,077	28,220
Amounts owed by group undertakings	463,384	839,137	-	-
Other debtors	27,822	11,195	13,870	50
Prepayments and accrued income	127,481	135,279	34,010	26,705
	6,123,390	5,439,769	210,957	54,975

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 13 Creditors amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdrafts	997,754	802,299	27,174	51,871
Trade creditors	1,878,702	1,889,132	114,610	44,415
Amounts owed to group undertakings	-	-	1,616,252	633,070
Corporation tax	526,085	200,240	41,392	11,862
Taxes and social security costs	1,136,249	432,419	841,297	110,946
Other creditors	248,079	336,240	2,045	9,949
Accruals and deferred income	288,208	932,538	160,563	773,107
	<u>5,075,077</u>	<u>4,592,868</u>	<u>2,803,333</u>	<u>1,635,220</u>

Bank loans and overdrafts are secured by cross guarantees and debentures between CHN Group Limited, CHN Contractors Limited, CHN Electrical Services Limited, Industry Development Services Limited, CHN Gas Service and Maintenance Limited and CHN Special Projects Limited

### 14 Accruals and deferred income

Group	Government grants £
Balance at 1 October 2006	123,597
Amortisation in the year	(20,558)
Balance at 30 September 2007	<u>103,039</u>

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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### 15 Pension costs

The company 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 charge represents contributions payable by the company to the fund.

#### Defined contribution

	2007 £	2006 £
Contributions payable by the group for the year	<u>217,879</u>	<u>567,639</u>

### 16 Share capital

	2007 £	2006 £
<b>Authorised</b>		
5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<b>Allotted, called up and fully paid</b>		
2,501 Ordinary shares of £1 each	<u>2,501</u>	<u>2,501</u>

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2007

#### 17 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 1 October 2006	3,014,429
Profit for the year	1,158,874
Balance at 30 September 2007	<u>4,173,303</u>

#### Company

	Profit and loss account £
Balance at 1 October 2006	240,829
Profit for the year	19,524
Balance at 30 September 2007	<u>260,353</u>

#### 18 Reconciliation of movements in shareholders' funds Group

	2007 £	2006 £
Profit for the financial year	1,158,874	473,594
Opening shareholders' funds	<u>3,016,930</u>	<u>2,543,336</u>
Closing shareholders' funds	<u>4,175,804</u>	<u>3,016,930</u>

	2007 £	2006 £
Profit for the financial year	19,524	17,859
Opening shareholders' funds	<u>243,330</u>	<u>225,471</u>
Closing shareholders' funds	<u>262,854</u>	<u>243,330</u>

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 19 Financial commitments

At 30 September 2007 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date				
Within one year	11,172	-	131,634	105,681
Between two and five years	66,532	78,791	297,664	331,797
	<u>77,704</u>	<u>78,791</u>	<u>429,298</u>	<u>437,478</u>

### 20 Directors' emoluments

	2007	2006
	£	£
Emoluments for qualifying services	488,833	970,483
Company pension contributions to money purchase schemes	136,442	498,029
Compensation for loss of office	40,000	-
	<u>665,275</u>	<u>1,468,512</u>

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	79,872	206,333
Company pension contributions to money purchase schemes	24,144	123,405
	<u>104,016</u>	<u>329,738</u>



# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 21 Employees

#### Number of employees

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

	2007 Number	2006 Number
Office	97	98
Production	250	251
	<u>347</u>	<u>349</u>

#### Employment costs

	2007 £	2006 £
Wages and salaries	9,554,741	9,319,652
Social security costs	964,156	916,979
Other pension costs	217,879	567,639
	<u>10,736,776</u>	<u>10,804,270</u>

# CHN GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

### 22 Related party transactions

#### Company

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

During the year the company purchased goods from CHN Special Projects Limited to the value of £75 (2006- £Nil), Industry Development Services Limited to the value of £1,784 (2006- £Nil) and CHN Electrical Services Limited to the value of £6,425 (2006- £Nil).

#### Management Charges Receivable

	2007 £	2006 £
CHN Gas Service and Maintenance Limited	450,000	492,000
CHN Contractors Limited	912,000	1,545,000
CHN Special Projects Limited	40,000	55,000
Industry Development Services Limited	30,000	30,000
CHN Electrical Services Limited	180,000	180,000
CHN Northern Limited	-	84,186
	<u>1,612,000</u>	<u>2,386,186</u>

### 23 Post Balance Sheet Events

#### Company

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