

Company number 3430063

CHN Group Ltd

Directors' Report and Financial Statements

for the Year Ended 31 December 2011

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CHN Group Ltd

Directors' Report for the Year Ended 31 December 2011

The directors present their report and the audited financial statements for the year ended 31 December 2011

Directors of the Company

The directors of the Company who were in office during the year and up to the date of signing the financial statements were

D A Leiper

M Hoehler (resigned 23 February 2011)

M L Thomas (appointed 24 May 2011 and resigned 30 September 2011)

B J Tear (appointed 30 September 2011 and resigned 12 June 2012)

The following director was appointed after the year end

R Matthies (appointed 2 July 2012)

Principal activity

The Company's principal activity during the year and at the year end was that of a holding company. The Company ceased trading with effect from 1 January 2010.

Business review

Fair review of the business

Following the transfer of the trade and certain assets to, and the assumption of certain liabilities by, E ON UK Property Services Limited on 1 January 2010, the Company has ceased trading. During 2010 cash balances were transferred and external liabilities settled, being replaced by inter-company balances. The future of the Company is currently being considered by the directors of the Company.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the inter-company debts. The management of risks is undertaken at E ON UK plc consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

Key performance indicators ('KPIs')

The directors of E ON UK plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the E ON Energy Solutions division of E ON UK plc, which includes the Company, is discussed within the financial review section of the group's annual report which does not form part of this report.

Results and dividends

The Company's profit for the financial year is £8,000 (2010: loss of £518,000). The directors do not recommend the payment of a final dividend (2010: £nil).

CHN Group Ltd
Directors' Report for the Year Ended 31 December 2011
(continued)

Political donations

No political donations were made during the year (2010 £nil)

Charitable donations

No charitable donations were made during the year (2010 £nil)

Directors' indemnities

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Going concern

Notwithstanding the fact that the Company has net liabilities and net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the Company's indirect parent undertaking and the principal UK trading subsidiary of the E.ON Group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Statement of directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently,
- make judgements 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, and
- 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 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.

CHN Group Ltd
Directors' Report for the Year Ended 31 December 2011
(continued)

Approved by the Board on 11 September 2012 and signed on its behalf by



D A Leiper
Director

CHN Group Ltd
Company No 3430063
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditors' Report to the Members of CHN Group Ltd

We have audited the financial statements of CHN Group Ltd for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditors' Report to the Members of
CHN Group Ltd
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Simon Evans

Simon Evans (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Birmingham

Date 13 September 2012

CHN Group Ltd
Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Impairment of investments		-	(503)
Operating profit/(loss)	2	-	(503)
Profit/(loss) on ordinary activities before taxation		-	(503)
Tax on profit/(loss) on ordinary activities	3	8	(15)
Profit/(loss) for the financial year	8	8	(518)

The results above derive wholly from discontinued operations

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for either years stated above and their historical cost equivalents

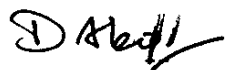
The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 8 to 12 form an integral part of these financial statements

CHN Group Ltd
(Company number: 3430063)
Balance Sheet as at 31 December 2011

	Note	2011 £ 000	2010 £ 000
Fixed assets			
Investments	4	-	-
Current assets			
Debtors	5	2,137	-
Creditors: amounts falling due within one year	6	<u>(3,490)</u>	<u>(1,361)</u>
Net liabilities		<u>(1,353)</u>	<u>(1,361)</u>
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	<u>(1,355)</u>	<u>(1,363)</u>
Total shareholders' deficit	9	<u>(1,353)</u>	<u>(1,361)</u>

Approved by the Board on 11 September 2012 and signed on its behalf by



D A Leiper
Director

CHN Group Ltd

The notes on pages 8 to 12 form an integral part of these financial statements

CHN Group Ltd
Notes to the Financial Statements for the Year Ended 31 December 2011

1 Accounting policies

Basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

Exemption from preparing group accounts

The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON AG. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

Going concern

Notwithstanding the fact that the Company has net liabilities and net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the Company's indirect parent undertaking and the principal UK trading subsidiary of the E.ON Group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Fixed asset investments

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

Inter-company balances

Inter-company payable and receivable trading balances within the E.ON Group are consolidated at each month end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled gross.

Taxation

The tax credit for the year is based on the profits or losses on ordinary activities for the year.

Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the E.ON AG Group or investees of the E.ON AG Group.

CHN Group Ltd
Notes to the Financial Statements for the Year Ended 31 December 2011
(continued)

2 Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2011 £ 000	2010 £ 000
Impairment of investments	-	503

All administration costs were borne by the intermediate parent undertaking, E ON UK plc, and not recharged

An impairment charge of £503,000 was recorded during 2010. See note 4 for further details

Auditors' remuneration of £3,000 (2010: £3,000) was borne by the intermediate parent undertaking, E ON UK plc, and not recharged

There were no employees during the year (2010: none)

The directors received no emoluments from the Company during the year (2010: £nil)

3 Tax on profit/(loss) on ordinary activities

	2011 £ 000	2010 £ 000
Current tax		
Corporation tax charge	-	-
Adjustments in respect of prior periods	(8)	15
Total tax on profit/(loss) on ordinary activities	(8)	15

Factors affecting current tax (credit)/charge for the year

The difference between the tax on the loss on ordinary activities for the year and the tax assessed on the loss on ordinary activities for the year assessed at the effective rate of corporation tax in the UK at 26.5% (2010: 28%) can be explained as follows

	2011 £ 000	2010 £ 000
Profit/(loss) on ordinary activities before taxation	-	(503)
Corporation tax at effective rate	-	(141)
Expenses not deductible for tax purposes	-	141
Adjustment in respect of previous periods	(8)	15
Total current tax	(8)	15

CHN Group Ltd
Notes to the Financial Statements for the Year Ended 31 December 2011
(continued)

A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax from 28% to 26% from 1 April 2011

The Finance Act 2011 was substantively enacted on 5 July 2011 and included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The corporation tax receivable has been reduced by £8,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2010 £15,000 corporation tax payable reduced via group relief received for which a payment will be made). Accordingly no tax losses are available for carry forward.

4 Investments

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
Cost	
At 1 January 2011	503
At 31 December 2011	503
Provision for impairment	
At 1 January 2011	503
At 31 December 2011	503
Net book value	
At 31 December 2011	-
At 31 December 2010	-

An impairment charge of £503,000 was recorded during 2010 to reflect the loss making position of the underlying businesses and the resulting restructuring of these businesses.

CHN Group Ltd
Notes to the Financial Statements for the Year Ended 31 December 2011
(continued)

Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
CHN Electrical Services Limited	Ordinary shares	100%	Non-trading
CHN Contractors Limited	Ordinary shares	100%	Non-trading
E ON UK Property Services Limited	Ordinary shares	100%	Non-trading
Industry Development Services Limited	Ordinary shares	100%	Non-trading
CHN Special Projects Limited	Ordinary shares	100%	Dormant

5 Debtors

	2011 £ 000	2010 £ 000
Amounts owed by group undertakings	<u>2,137</u>	<u>-</u>

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand

6 Creditors: amounts falling due within one year

	2011 £ 000	2010 £ 000
Amounts owed to group undertakings	<u>3,490</u>	<u>1,361</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

CHN Group Ltd
Notes to the Financial Statements for the Year Ended 31 December 2011
(continued)

7 Called up share capital

Allotted and fully paid

	2011		2010	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	<u>2,439</u>	<u>2</u>	<u>2,439</u>	<u>2</u>

8 Reserves

	Profit and loss account £ 000
At 1 January 2011	(1,363)
Profit for the year	<u>8</u>
At 31 December 2011	<u>(1,355)</u>

9 Reconciliation of movement in shareholders' funds

	2011 £ 000	2010 £ 000
Profit/(loss) attributable to the members of the Company	<u>8</u>	<u>(518)</u>
Net addition/(reduction) to shareholders' funds	<u>8</u>	<u>(518)</u>
Shareholders' deficit at 1 January	<u>(1,361)</u>	<u>(843)</u>
Shareholders' deficit at 31 December	<u>(1,353)</u>	<u>(1,361)</u>

10 Ultimate parent

The Company is controlled by E ON UK Energy Services Limited. The ultimate controlling party is E ON AG, which is the parent company of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is E ON UK plc, the principal UK trading subsidiary of E ON AG. Copies of E ON AG's accounts are available from the offices of E ON AG at the following address:

E ON AG
E ON-Platz 1
D-40479
Düsseldorf
Germany