

CHN GROUP LTD
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2009



CHN GROUP LTD

Report of the directors for the year ended 31 December 2009

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009 (2008 – 15 months ended 31 December 2008).

Principal activities

The Company's principal activity during the year and at the year end was that of a holding company. On 31 December 2009, the trade and certain assets and liabilities of the Company were transferred to E.ON UK Property Services Limited (formerly CHN Gas Service and Maintenance Limited).

Business review

Fair review of the Company's business

Both the level of business during the year and the financial position of the Company at the year end were as expected

In July 2009, the Company secured a facilities management contract from E.ON UK plc

In December 2009, the Company commenced trading in a new business stream delivering external wall cladding

On 31 December 2009, the trade and certain assets and liabilities of the Company were transferred to E.ON UK Property Services Limited.

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 competition, credit risks and brand. 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 Energy Services 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 loss for the financial year is £1,070,806 (2008: profit of £105,999). The directors do not recommend the payment of a dividend (2008: £100,000).

CHN GROUP LTD

Report of the directors for the year ended 31 December 2009 (continued)

Directors

The directors who held office during the year and subsequent to the year end are given below:

Mr D A Leiper
Mr M Hoehler (appointed 1 February 2010)
Mr C Goulton (resigned 1 February 2010)

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 period. 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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent,
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) 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

Directors' indemnities

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

Going Concern

Notwithstanding the fact that the Company has been loss making and has net 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 UK 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.

CHN GROUP LTD

Report of the directors for the year ended 31 December 2009 (continued)

Disclosure of information to auditors

So far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and 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



Martin Hoehler

Director

CHN Group Ltd

Registered No: 3430063

Westwood Way

Westwood Business Park

Coventry

CV4 8LG

28 September 2010

Independent auditor's report to the member of CHN Group Ltd

We have audited the financial statements of CHN Group Ltd for the year ended 31 December 2009 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 Directors' Responsibilities Statement, 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 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 member 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.

Opinion on 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 2009 and of its loss 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

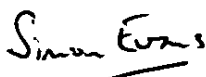
Opinion on other matter prescribed by the Companies Act 2006

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.

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

29 September 2010

CHN GROUP LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

		Year ended 31 December 2009	Period ended 31 December 2008
	Note	£	£
Turnover	2	1,679,720	-
Cost of sales		(1,245,954)	-
Gross profit		433,766	-
Other operating income		-	1,368,474
Administrative expenses		(1,863,053)	-
Net operating expenses		-	(1,417,467)
Operating loss	3	(1,429,287)	(48,993)
Profit on disposal of fixed assets		-	117,540
Interest receivable and similar income	6	14,262	98,570
Interest payable and similar charges	7	(16,334)	(21,181)
(Loss)/profit on ordinary activities before taxation		(1,431,359)	145,936
Tax on (loss)/profit on ordinary activities	8	360,553	(39,937)
(Loss)/profit for the financial period	17	(1,070,806)	105,999

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

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

The trade and certain assets and liabilities of the Company were transferred to E.ON UK Property Services Limited on 31 December 2009. Therefore, all results relate to discontinued operations.

The accounting policies and the notes on pages 7 to 16 form part of these financial statements.

CHN GROUP LTD
BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	At 31 December 2009 £	At 31 December 2008 £
Fixed assets			
Tangible assets	10	-	3,652
Investments	11	503,000	503,000
		503,000	506,652
Current assets			
Stock	12	-	19,950
Debtors, amounts falling due within one year	13	64,829	141,037
Cash at bank and in hand		124,920	2,464,388
Deferred tax asset	14	-	11,394
		189,749	2,636,769
Creditors: amounts falling due within one year	15	(1,535,272)	(2,915,138)
Net current liabilities		(1,345,523)	(278,369)
Net (liabilities)/assets		(842,523)	228,283
Capital and reserves			
Called-up share capital	16	2,439	2,439
Capital redemption reserve	17	62	62
Profit and loss reserve	17	(845,024)	225,782
Total shareholder's (deficit)/funds	18	(842,523)	228,283

The financial statements on pages 5 to 16 were approved by the Board of Directors on 28 September 2010 and were signed on its behalf by:



Martin Hoehler
Director

28 September 2010

The accounting policies and the notes on pages 7 to 16 form part of these financial statements

CHN GROUP LTD

Notes to the financial statements **for the year ended 31 December 2009**

1 Accounting policies

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

(a) Fixed asset investments

Fixed asset investments are stated at original cost plus subsequent loans advanced or amounts invested. Provision is made for any impairment in the value of investments.

(b) Tangible fixed assets

Tangible fixed assets are stated at their purchase or production cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over their useful economic lives. The estimated useful economic lives used for the principal categories of fixed assets are as follows:

Land and buildings freehold	Not depreciated
Plant and machinery	4 years
Computer equipment	3 years
Motor vehicles	4 years

(c) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(d) Stock

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving or defective stocks. Stocks are recognised in the profit and loss account on a weighted average cost basis. The Companies Act 2006 requires stocks to be categorised between raw materials, work in progress and finished goods. Stocks are raw materials under this definition.

(e) Pension costs

Pension costs represent amounts recharged by the parent company, E.ON UK plc, for the cost of contributions to defined benefit and defined contribution schemes. Further details of these schemes are available in the consolidated financial statements of E.ON UK plc.

CHN GROUP LTD

Notes to the financial statements **for the year ended 31 December 2009 (continued)**

1 Accounting policies (continued)

(f) Taxation

The tax charge for the year is based on the profits or losses on ordinary activities for the year and takes into account full provision for deferred tax in respect of timing differences on a discounted basis, using the approach set out in Financial Reporting Standard 19 'Deferred tax'. Timing differences arise primarily from the differing treatment for taxation and accounting purposes of depreciation of fixed assets.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods which the timing differences are expected to reverse, based on tax laws that have been enacted or substantially enacted by the balance sheet date.

(g) Turnover

Turnover comprises revenue from a facilities management contract and delivering external wall cladding. Turnover excludes value added tax.

(h) Cash flow statement

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 and its subsidiaries and associates (together, "the E.ON Group"). Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

(i) Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with the E.ON Group or investees of the E.ON Group.

(j) Going concern

Notwithstanding the fact that the Company has been loss making and has net 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 UK 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.

CHN GROUP LTD

Notes to the financial statements **for the year ended 31 December 2009 (continued)**

2 Turnover

Turnover, which excludes value added tax, represents the value of goods and services provided, during the year. The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

3 Operating loss

Operating loss is stated after charging/(crediting)

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Depreciation of tangible fixed assets:		
Owned assets	24,772	15,757
Operating lease charges:		
Land and buildings	24,000	40,000
Other	57,623	17,154
Other operating income – annual management charges to subsidiaries	-	(1,368,474)
Auditors' remuneration:		
Audit services – statutory audit	75,783	2,000
Non-audit services	-	7,323

4 Directors' emoluments

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Aggregate emoluments	-	139,989

Following the acquisition of the Company on 15 January 2008 by E.ON UK Energy Services Limited, the newly appointed directors have neither received nor waived any remuneration for their services to the Company and have not accrued any pension benefits under either defined benefit or defined contribution schemes.

Prior to 15 January 2008 and during the period ended 31 December 2008, no directors had retirement benefits accruing to them under a defined benefit pension scheme, no directors were entitled to shares under a long-term incentive scheme and no directors exercised or received options over shares.

CHN GROUP LTD**Notes to the financial statements**
for the year ended 31 December 2009 (continued)**5 Employee information**

The average monthly number of persons (including executive directors) employed by the Company during the year was nil (2008 nil) The Company is charged by E.ON UK plc for the services of the following employees:

By activity	Year ended 31 December 2009	Period ended 31 December 2008
Administration	27	17

The salaries and related costs of employees, including directors, recharged to the Company by E.ON UK plc were

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Wages and salaries	650,836	598,450
Social security costs	54,885	46,139
Other pension costs	57,234	46,824
	762,955	691,413

6 Interest receivable and similar income

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Other interest receivable	14,262	98,570

7 Interest payable and similar charges

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Interest payable on bank loans and overdrafts	16,334	21,181

CHN GROUP LTD

Notes to the financial statements
for the year ended 31 December 2009 (continued)

8 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Current tax:		
UK corporation tax on (losses)/profits for the year	(371,166)	41,901
Adjustment in respect of previous period	(781)	-
Total current tax charge/(credit)	<u>(371,947)</u>	<u>41,901</u>
Deferred tax:		
Origination and reversal of timing differences	12,563	(823)
Unwinding of deferred tax	(1,169)	(1,141)
Total deferred tax charge/(credit) (Note 14)	<u>11,394</u>	<u>(1,964)</u>
Tax on (loss)/profit on ordinary activities	<u>(360,553)</u>	<u>39,937</u>

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

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
(Loss)/profit on ordinary activities before tax	<u>(1,431,359)</u>	<u>145,936</u>
Tax on (loss)/profit on ordinary activities before tax at 28% (2008: 28.8%)	<u>(400,781)</u>	<u>42,030</u>
<i>Effects of:</i>		
Depreciation in excess of capital allowances	(4,922)	846
Gain on disposal of property	-	(12,464)
Expenses not deductible for tax purposes	34,537	11,489
Adjustments in respect of previous period	(781)	-
Current tax (credit)/ charge for the period	<u>(371,947)</u>	<u>41,901</u>

CHN GROUP LTD

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Tax on (loss)/profit on ordinary activities (continued)

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits were taxed at an effective rate of 28.8% in 2008 and 28% in 2009.

The corporation tax receivable for the year has been reduced by £371,166 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2008: group relief received of £24,454).

9 Dividends

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Interim equity dividend paid: £nil (2008: £41) per ordinary share	-	100,000

10 Tangible fixed assets

	Property £	Plant and machinery £	Computers £	Vehicles £	Total £
Cost:					
At 1 January 2009	-	-	127,801	3,950	131,751
Additions	-	-	163,230	-	163,230
Disposals	-	-	(291,031)	(3,950)	(294,981)
At 31 December 2009	-	-	-	-	-
Accumulated depreciation:					
At 1 January 2009	-	-	124,149	3,950	128,099
Charge for period	-	-	24,772	-	24,772
Disposals	-	-	(148,921)	(3,950)	(152,871)
At 31 December 2009	-	-	-	-	-
Net book value					
At 31 December 2009	-	-	-	-	-
At 31 December 2008	-	-	3,652	-	3,652

CHN GROUP LTD

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Fixed asset investments

	Shares at cost £
At 31 December 2009	503,000
and at 31 December 2008	

Fixed asset investments comprise the following:

Name	Country of incorporation	Shares held	Proportion of nominal value of issued equity shares and voting rights held	Nature of business
CHN Electrical Services Limited	England & Wales	Ordinary	100%	Electrical engineers
CHN Contractors Limited	England & Wales	Ordinary	100%	Heating and plumbing engineers
E.ON UK Property Services (formerly CHN Gas Service and Maintenance Limited	England & Wales	Ordinary	100%	Heating and plumbing engineers
CHN Special Projects Limited	England & Wales	Ordinary	100%	Heating and plumbing engineers
Industry Development Services Limited	England & Wales	Ordinary	100%	Gas training and consultancy

12 Stock

	At 31 December 2009 £	At 31 December 2008 £
Raw material and consumables	-	19,950

13 Debtors: amounts falling due within one year

	At 31 December 2009 £	At 31 December 2008 £
Trade debtors	-	73,665
Other debtors	64,829	28,477
Prepayments and accrued income	-	38,895
	64,829	141,037

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Notes to the financial statements for the year ended 31 December 2009 (continued)

14 Deferred tax

The deferred tax asset comprises:

	At 31 December 2009 £	At 31 December 2008 £
Accelerated capital allowances	-	12,578
Undiscounted deferred tax asset	-	12,578
Discount	-	(1,184)
Discounted deferred tax asset	-	11,394

The opening and closing deferred tax positions can be reconciled as follows

	£
Deferred tax asset at 1 January 2009	11,394
Deferred tax charge to profit and loss account (Note 8)	(11,394)
Deferred tax asset at 31 December 2009	-

Deferred tax balances were measured at the standard rate of corporation tax in the UK of 28%, as this was the rate in force at the balance sheet date. A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No. 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of these changes on the deferred tax balance included in the Company's balance sheet amounts to nil.

15 Creditors: amounts falling due within one year

	At 31 December 2009 £	At 31 December 2008 £
Trade creditors	-	119,807
Amounts owed to group undertakings	1,520,222	2,560,379
Corporation tax	15,050	32,497
Accruals and deferred income	-	202,455
	1,535,272	2,915,138

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 2009 (continued)**

16 Called up share capital

	At 31 December 2009 £	At 31 December 2008 £
Authorised		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called-up and fully paid		
2,439 ordinary shares of £1 each	<u>2,439</u>	<u>2,439</u>

17 Reserves

	Profit and loss reserve £	Capital redemption reserve £
At 1 January 2009	225,782	62
Loss for the financial year	<u>(1,070,806)</u>	<u>-</u>
At 31 December 2009	<u>(845,024)</u>	<u>62</u>

18 Reconciliation of movements in shareholder's funds

	Year ended 31 December 2009 £	Period ended 31 December 2008 £
(Loss)/profit for the financial period	<u>(1,070,806)</u>	105,999
Dividends	-	<u>(100,000)</u>
Retained (loss)/profit for the financial period	<u>(1,070,806)</u>	5,999
Buyback of shares	-	<u>(50,000)</u>
Net reduction in shareholder's funds	<u>(1,070,806)</u>	<u>(44,001)</u>
Opening shareholder's funds	<u>228,283</u>	272,284
Closing shareholder's (deficit)/funds	<u>(842,523)</u>	<u>228,283</u>

CHN GROUP LTD

Notes to the financial statements **for the year ended 31 December 2009 (continued)**

19 Financial commitments

The Company had annual commitments under non-cancellable operating leases in respect of motor vehicles expiring as follows:

	At 31 December 2009 £	At 31 December 2008 £
within one year	24,000	40,000
within two to five years	-	-
	<u>24,000</u>	<u>40,000</u>

20 Disposals

On 31 December 2009, the Company transferred all of its trade and certain assets and liabilities to a fellow group undertaking, E.ON UK Property Services Limited, at book value. The Company became a dormant holding company from this date. The consideration received was £1,029,000 which represented fixed assets of £139,000, stock of £2,000, debtors of £1,407,000, trade creditors of £2,367,000 and accruals of £210,000

21 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E.ON UK Energy Services Limited. The ultimate parent undertaking and controlling party is E.ON AG, a company incorporated in Germany, which is the parent company of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is that of which E.ON UK plc, the principal UK trading subsidiary of E.ON AG, is the parent undertaking. 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
Dusseldorf
Germany