

FORMERLY

HARP HEATING LIMITED

DIRECTORS' REPORT AND ACCOUNTS - Year Ending 31st December 1985

The Directors present their annual report and the audited accounts for the year ended 31st December 1985. This report should be read in conjunction with the statements set out in pages 2 to 6 of these accounts.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the modernisation of public sector housing.

BUSINESS REVIEW

On 23rd April 1985 the Company changed its name to Harp Contracts Ltd and moved its operations to new premises.

Turnover for the year was £8496817 (1984 : £15291141) and trading profit amounted to £37008 (1984 : £491670).

DIVIDEND

In view of the Company's current and future requirements for the development of its business, the Directors do not recommend the payment of a dividend (1984 : £320000).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company during the year were as follows:

G E T Granter    I D Scott    A D Sivill (appointed 15.1.85)    N R Jones (appointed 15.1.85)  
J W Adams (appointed 26.9.85)    P R Chance (resigned 15.3.85).

As Mr Granter and Mr Sivill are also Directors of United House Group Limited, this Company's holding company, their interests are not required to be recorded in this company's Register of Directors Interests. Mr Jones and Mr Adams had no interest in the share capital of the Company.

Mr I D Scott declares his interest in the following shares in the Group in accordance with Section 235 of the Companies Act 1985:

	31st December 1985	1st January 1985
United House Group Limited		
Deferred Ordinary Shares of £1 each	3184	3184

No Director had any material interest in any contract entered into by the Company.

CLOSE COMPANY STATUS

The Directors are of the opinion that the Company is 'close' within the meaning contained in the provisions of the Income and Corporation Taxes Acts 1970 as amended.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Peat Marwick Mitchell & Co as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

*S R Pierce*  
S R PIERCE  
Secretary

14th April 1986.

REPORT OF THE AUDITORS TO THE MEMBERS OF HARP CONTRACTS LIMITED

We have audited the accounts on pages 2 to 6 in accordance with approved Auditing Standards.

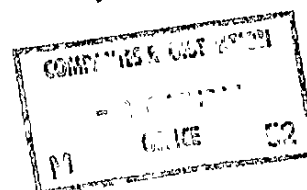
In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 4, give a true and fair view of the state of the Company's affairs at 31st December 1985 and of its profit and source and application of funds for the year to that date and comply with the Companies Act 1985.

*Peat Marwick Mitchell & Co.*

MAIDSTONE

PEAT MARWICK MITCHELL & CO  
Chartered Accountants

14th April 1986



## FORMERLY

## HARP HEATING LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1985

	Note	1985 £	1984 £
TURNOVER	2	8496817	15291141
Cost of sales		(6195398)	(11200322)
GROSS PROFIT		2301419	4090819
Distribution costs		(886727)	(1448651)
Administrative expenses		(1722466)	(2723888)
Other operating income	3	344782	573390
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	37008	491670
Tax on profit on ordinary activities	7	17443	(344037)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		54451	147633
Dividend		-	(320000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		54451	(172367)
Retained profit brought forward		222986	395353
RETAINED PROFIT CARRIED FORWARD		277437	222986

The notes on pages 4 to 6 form part of these accounts.

## BALANCE SHEET AT 31st DECEMBER 1985

	Note	1985 £	1984 £
TANGIBLE FIXED ASSETS	8	219343	287054
CURRENT ASSETS			
Stocks	9	309805	580060
Debtors	10	847237	1727340
		1157042	2307400
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(1022742)	(1987592)
NET CURRENT ASSETS		134300	319808
TOTAL ASSETS LESS CURRENT LIABILITIES		353643	606862
PROVISIONS FOR LIABILITIES AND CHARGES	12	(76106)	(174443)
ACCRUALS AND DEFERRED INCOME	11	-	(209333)
NET ASSETS		277537	223086
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account		277437	222986
		277537	223086

These accounts were approved by the Board of Directors on 14th April 1986

G E T Granter }  
I D Scott } Directors

*C. E. T. Granter*  
*I. D. Scott*

The notes on pages 3 to 6 form part of these accounts.

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31st DECEMBER 1985

	<u>1985</u>	<u>1984</u>
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	37008	491670
Adjustments for items not involving the movement of funds:		
Depreciation	117217	186857
Surplus on sale of tangible fixed assets	(20774)	(13648)
Movements in provisions	(77144)	17449
	<u>19299</u>	<u>190658</u>
FUNDS GENERATED FROM OPERATIONS	56307	682328
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	37130	19809
	<u>93437</u>	<u>702137</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	65861	228930
Tax paid	3523	459318
Dividend paid	-	320000
	<u>(69384)</u>	<u>(1008248)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL	<u>24053</u>	<u>(306111)</u>
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL		
(Decrease) in Stocks	(270255)	(46726)
(Decrease)/Increase in Debtors	(880103)	47611
Decrease/(Increase) in Creditors falling due within one year	1174411	(306996)
	<u>24053</u>	<u>(306111)</u>

The notes on pages 4 to 6 form part of these accounts.

## FORMERLY

## HARP HEATING LIMITED

## NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

(b) Depreciation

Depreciation has been provided on the straight line basis so as to write off the assets over their expected useful lives at the following rates:

Office equipment and plant	15%
Commercial vehicles	33%
Private vehicles	25%
Computer and Word Processing equipment	20%

(c) Stocks and work in progress

(i) Stock has been valued at the lower of cost and net realisable value.

(ii) Work in progress has been valued at direct cost, including an appropriate proportion of attributable overhead expenditure less provision for foreseeable losses, less progress payments received and receivable.

(d) Deferred taxation

Taxation deferred by capital allowances is only provided where payment is reasonably anticipated in the foreseeable future.

(e) Operating Leases

Operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. TURNOVER

Turnover represents the total amount receivable by the Company for goods sold, work done and services rendered during the year and is exclusive of VAT. The Company trades exclusively in the South East of England and all turnover is generated from the modernisation of housing.

Prior to May 1985 the Company was engaged in the installation of domestic central heating in the private sector. However, a re-organisation took place in April 1985 which resulted in this type of business being transferred to a subsidiary company. The amount of turnover of this type in 1985 was £2,421,000 (1984 £9478439).

3. OTHER OPERATING INCOME

Other operating income includes an amount of £250165 (1984 : NIL) received from Key Man Insurance in respect of a former director of United House Group Limited, this Company's holding company.

4. PROFIT BEFORE TAXATION

Profit before taxation is generated from the modernisation of housing and is stated after charging the following:

	1985	1984
	£	£
Depreciation of tangible fixed assets	117217	186857
Directors' remuneration as executives (see note 5)	58177	27273
Hire of plant and machinery	75708	129959
	<u>=====</u>	<u>=====</u>

The total auditor's remuneration and expenses for Harp Contracts Limited are shown in the accounts of United House Group Limited, this Company's holding company.

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## HARP HEATING LIMITED

## NOTES TO THE ACCOUNTS

5. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Including pension contributions, the emoluments of the highest paid Director were £28262 (1984 : £27273), a second Director received emoluments in the range £20001 to £25000 and a third Director received emoluments in the range £5001-£10000. No other Director, including the Chairman, received any emolument from the company for the year ending 31st December 1985.

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including Directors) during the year was 136 (1984 : 216).

The aggregate payroll costs of these persons were as follows:

	<u>1985</u>	<u>1984</u>
	£	£
Wages and salaries	1221619	1499890
Social security costs	120258	176238
Other pension costs	6511	7905
	<u>1348388</u>	<u>1684033</u>

7. TAXATION

Corporation Tax on the profit for the year of the Company at 41.25% (1984 : 46.25%)

Under provision in respect of previous years

Deferred tax credit

<u>1985</u>	<u>1984</u>
£	£
3750	162665
-	187613
(21193)	(6241)
<u>(17443)</u>	<u>344037</u>

The taxation charge for the year has been reduced by:

Accelerated capital allowances

Stock appreciation relief

35891	155381
-	15057
<u>35891</u>	<u>170438</u>

8. TANGIBLE FIXED ASSETS

	<u>Vehicles</u>	<u>Plant and machinery</u>	<u>Fixtures, fittings, tools and equipment</u>	<u>Total</u>
	£	£	£	£
Cost at 1.1.85	288275	911801	28430	1228506
Additions	-	57112	8749	65861
Disposals	(103777)	(8137)	-	(111914)
Cost at 31.12.85	<u>184498</u>	<u>960776</u>	<u>37179</u>	<u>1182453</u>
Depreciation at 1.1.85	240355	685261	15836	941452
Charged in year	21750	90592	4875	117217
Disposals	(87856)	(7703)	-	(95559)
Depreciation at 31.12.85	<u>174249</u>	<u>768150</u>	<u>20711</u>	<u>963110</u>
Net book value at 1.1.85	<u>47920</u>	<u>226540</u>	<u>12594</u>	<u>287054</u>
Net book value at 31.12.85	<u>10249</u>	<u>192626</u>	<u>16468</u>	<u>219343</u>

9. STOCKS AND WORK IN PROGRESS

Work in progress

Finished goods and goods for resale

<u>1985</u>	<u>1984</u>
£	£
287805	486451
22000	93609
<u>309805</u>	<u>580060</u>

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## HARP HEATING LIMITED

## NOTES TO THE ACCOUNTS

10. DEBTORS

	<u>1985</u>	<u>1984</u>
	£	£
Trade debtors	527673	1711378
Other debtors	10060	11694
Prepayments and accrued income	309504	-
Advance corporation tax recoverable	-	4268
	<u>847237</u>	<u>1727340</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1985</u>	<u>1984</u>
	£	£
Trade creditors	-	197767
Amounts owed to holding and fellow subsidiary companies	501579	1043725
	<u>501579</u>	<u>1241492</u>
Other creditors including taxation and social security:		
Corporation tax	321592	321365
Other taxes	46949	49060
Social security	29675	30964
	<u>398216</u>	<u>401389</u>
Taxation and social security	122947	344711
Other creditors	-	209333
Accruals and deferred income	<u>1022742</u>	<u>2196925</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred Taxation</u>	<u>Guarantee Costs</u>	<u>Cancel-lations</u>	<u>Total</u>
	£	£	£	£
Balance at 1.1.85	75444	27449	71550	174443
Net charge for the year in the profit and loss account	(21193)	(5594)	-	(26787)
Transfers to other Group companies	-	-	(71550)	(71550)
	<u>54251</u>	<u>21855</u>	<u>-</u>	<u>76106</u>
Balance at 31.12.85	<u>54251</u>	<u>21855</u>	<u>-</u>	<u>76106</u>

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method, are set out below:

	<u>1985</u>	<u>1984</u>
	<u>Amount provided</u>	<u>Potential liability</u>
	£	£
Difference between accumulated depreciation and capital allowances	<u>54251</u>	<u>54251</u>
	<u>75444</u>	<u>75444</u>

13. SHARE CAPITAL

	<u>1985</u>	<u>1984</u>
	£	£
Authorised, allotted, called up and fully paid:	100	100
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

14. LEASING COMMITMENTS

The future minimum lease payments to which the Company is committed under operating leases at 31st December 1985 are:

	<u>1985</u>	<u>1984</u>
	£	£
Amounts payable within one year	<u>159562</u>	<u>175250</u>
Commitments expiring:		
Within one year	11957	79450
Between one and five years	147605	95800
	<u>159562</u>	<u>175250</u>

15. FLOATING CHARGE

The company has charged its assets by way of a floating charge to secure certain liabilities of the holding company. As at the 31st December 1985 the aggregate amount secured by the charge was £1457082 (1984 : £1857415).