

# **UNITED HOUSE LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**  
YEAR ENDED 31ST DECEMBER 1998



Registered No. 817560

**Directors' Report and Accounts  
31st December 1998**

The Directors present their annual report and the audited accounts for the year ended 31st December 1998. This report should be read in conjunction with the statements set out in pages 4 to 12 of these accounts.

**Principal Activities and Business Review**

United House is a long established building contractor, services engineer and developer specialising in housing. The Company operates from the Group's own 10-acre freehold site in Swanley, Kent, with a satellite office in High Wycombe.

During 1998 the Company continued to concentrate on its core markets and the quality of service to its customers, thereby maintaining the improvement in gross margin. United House is looking forward to further improvement during 1999.

In its 35 year history the Company has built an enviable reputation of working on inner London estates, modernising homes and flats whilst the residents remain in occupation. These services are now very much in demand, particularly with the continuing increase of transfers of Local Authority Housing stock to Registered Social Landlords. Here our reputation of giving quality and service has ensured a strong workload for the future, our reward for 35 years of service to the communities with whom we work. This achievement is the best testament to the continuing goodwill and reputation that the Company enjoys throughout the South East.

We are committed to working with our clients to achieve better quality and value in the end product. A number of schemes have recently been entered into on a Partnering basis and we are confident that they will give benefits to all involved. We also use our financial strength to positively create opportunities with our clients to provide new social housing; in some instances the sale of housing to the private market provides a valuable subsidy. We make prompt payments to our contractors; one of the reasons for our continued success is the loyalty of both our sub-contractors and suppliers, a large number with whom we have worked for many years.

Our commitment to the Private Finance Initiative continues. With the easing of restrictions surrounding PFI and the willingness of Local Authorities and Registered Social Landlords to enter the PFI market, we are looking forward to shortly signing our first PFI package.

The Company continues its presence in the central London residential development market with high quality schemes.

Again this year the Company is in receipt of the British Safety Council's Award for an outstanding safety record. This is the fourth consecutive year that the Company has won the award, an acknowledgement of the high priority placed on safety by all members of staff.

The Company has continued to progress its quality management system. Now in its seventh year, ISO 9001 covers every aspect of the business of United House.

**Results for the Year**

Turnover for the year was £23,450,000 (1997: £32,632,000) and the profit before taxation was £836,000 (1997: £1,483,000).

The Directors do not recommend the payment of a dividend (1997: £nil). Transfers to and from reserves are noted on page 12.

**Directors and Directors' Interests**

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

Mr J W Adams  
Mr R A Allen  
Mr K B Duggan  
Mr J D Hindle  
Mr P Lawton  
Mr A S Mickleburgh  
Mr R A Perkins

The Directors of the Company have no interests in the shares of the Company. Both Mr Adams and Mr Duggan are also Directors of United House Group Limited, the Company's ultimate parent undertaking. Their interests in the shares of that company are disclosed in the accounts of that company as appropriate.

**Directors' Report and Accounts  
31st December 1998**

**Staff Involvement**

*Employee environment*

The Directors continue to recognise the contribution that all employees make to the Company's success. The Company's policy is to maintain good working relationships at all levels and to keep employees informed of current trading conditions and future prospects. This is achieved through newsletters, regular briefing meetings and the Company's intranet. Encouragement is also given in the training, care, development and promotion of all employees according to opportunities available, organisational requirements and individual aptitudes and abilities.

*Equal opportunities*

The Company takes positive measures to ensure that there is no discrimination, either direct or indirect, in its employment practices on the grounds of race, sex, religion or ethnic background. In its recruitment and employment practices, the Company gives full consideration to disabled persons, based on their ability to perform the duties of the job. Where an employee becomes disabled whilst employed by the Company, arrangements are made, wherever possible, for retraining in order to perform a job identified as appropriate to the aptitude and abilities of the individual concerned.

**Health and Safety**

The Company regards Health and Safety issues as vitally important. Staff receive training in all aspects of Health and Safety relevant to the Company's business and they are expected to give priority to these matters in planning and performing their work. As a result the Group has now won a prestigious safety award from the British Safety Council for the fourth year in a row. Copies of the Company's Health and Safety policy document are available at all of its offices and sites.

**Charitable Donations**

During 1998 the Company made charitable contributions of £20,142 (1997: £12,767).

**Fixed Assets**

Details of changes to fixed assets are given in Note 9 to the accounts.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

**Year 2000**

The Directors recognise that there are significant risks and uncertainties associated with the Year 2000 problem which encompasses internal systems, products and third party relationships. They have initiated a programme to address the Year 2000 issue which is intended to identify areas where problems may arise and to put in place a plan to minimise serious disruptions which might be caused by failure of systems to properly handle date information. In addition, communications with customers and suppliers have been undertaken to prevent, as far as possible, business interruption that might be caused by third parties.

The directors do not consider that the programme will cause the business to incur any significant additional costs beyond planned replacement expenditure and existing personnel resources.

By order of the Board



**S Cross  
Company Secretary**

### Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts the Directors are required to:

- select suitable accounting policies and 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 accounts;
- prepare accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### Report of the Auditors, KPMG, to the Members of United House Limited

We have audited the accounts on pages 4 to 12.

#### Respective responsibilities of directors and auditors

As described above the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

#### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st December 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



London  
1 June 1999

**Chartered Accountants  
Registered Auditors**

**UNITED HOUSE LIMITED**

**Consolidated Profit and Loss Account  
For the year ended 31st December 1998**

	<i>Note</i>	<b>1998 £000</b>	<b>1997 £000</b>
<b>Turnover</b>	<b>2</b>	23,450	32,632
Cost of sales		(18,629)	(25,972)
<b>Gross profit</b>		<b>4,821</b>	<b>6,660</b>
Distribution costs		(756)	(640)
Administration expenses		(3,269)	(4,476)
Other operating income		18	1
Operating profit on ordinary activities		814	1,545
Other interest receivable and similar income		87	4
Interest payable and similar charges	<b>3</b>	(65)	(66)
<b>Profit on ordinary activities before taxation</b>	<b>4</b>	<b>836</b>	<b>1,483</b>
Taxation on profit on ordinary activities	<b>7</b>	(445)	(529)
<b>Retained profit for the financial year</b>	<b>8</b>	<b>391</b>	<b>954</b>

The results stated above all relate to continuing operations.

**Reconciliation of Movements in Shareholders' Funds  
For the year ended 31st December 1998**

	<b>1998 £000</b>	<b>1997 £000</b>
Retained profit for the financial year	391	954
Shareholders' funds brought forward	1,616	662
Shareholders' funds carried forward	<u>2,007</u>	<u>1,616</u>

Historical cost profits and losses are not materially different from those shown above. There are no recognised gains and losses other than those shown above.

Movements in reserves are shown in Note 17 on page 11.

The notes on pages 8 to 12 form part of these accounts.

**UNITED HOUSE LIMITED**

**Group Balance Sheet  
At 31st December 1998**

	<i>Note</i>	<b>1998 £000</b>	<b>1997 £000</b>
Fixed assets			
Tangible assets	9	68	62
Current assets			
Stocks	11	11,541	5,925
Debtors *	12	7,361	8,433
Cash at bank and in hand		117	34
		19,019	14,392
Creditors: Amounts falling due within one year	13	(16,813)	(12,486)
Net current assets		2,206	1,906
Total assets less current liabilities		2,274	1,968
Creditors: Amounts falling due after more than one year	14	(52)	(135)
Provisions for liabilities and charges	15	(215)	(217)
		2,007	1,616
Capital and Reserves			
Called up share capital	16	-	-
Profit and loss account	17	2,007	1,616
Equity Shareholders' funds		2,007	1,616

\* Included within debtors are amounts receivable after more than one year of £243,000 (1997: £128,000).

These accounts were approved by the Board of Directors on 1 June 1999.



**J W Adams, Director**

The notes on pages 8 to 12 form part of these accounts.


# UNITED HOUSE LIMITED

## Company Balance Sheet At 31st December 1998

	<i>Note</i>	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	9	68	62
Investments	10	441	441
		<u>509</u>	<u>503</u>
<b>Current assets</b>			
Stocks	11	-	359
Debtors*	12	6,289	7,396
Cash at bank and in hand		-	23
		<u>6,289</u>	<u>7,778</u>
<b>Creditors: Amounts falling due within one year</b>	13	(4,380)	(6,119)
<b>Net current assets</b>		<u>1,909</u>	<u>1,659</u>
<b>Total assets less current liabilities</b>		<u>2,418</u>	<u>2,162</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	(52)	(135)
<b>Provisions for liabilities and charges</b>	15	(215)	(217)
		<u>2,151</u>	<u>1,810</u>
<b>Capital and Reserves</b>			
Called up share capital	16	-	-
Profit and loss account	17	2,151	1,810
<b>Equity Shareholders' funds</b>		<u>2,151</u>	<u>1,810</u>

\* Included within debtors are amounts receivable after more than one year of £243,000 (1997: £128,000).

These accounts were approved by the Board of Directors on 1 June 1999.

  
**J W Adams, Director**

The notes on pages 8 to 12 form part of these accounts.

**UNITED HOUSE LIMITED**

**Consolidated Statement of Cashflows  
For the year ended 31st December 1998**

	<b>1998</b>	<b>1998</b>	<b>1997</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net cash inflow from operating activities		584		337
Returns on investments and servicing of finance				
Interest paid	(19)		-	
Interest element of finance lease payments	-		(2)	
Interest received	87		4	
		68		2
Taxation		(540)		(276)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(29)		(32)	
Sale of tangible fixed assets	-		23	
		(29)		(9)
Cash inflow before use of liquid resources and financing		83		54
Financing Capital element of finance lease payments		-		(20)
Increase in cash in the period		83		34

	<b>1 Jan 98</b>	<b>Cash flow</b>	<b>31 Dec 98</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank	34	83	117

	<b>1998</b>	<b>1998</b>	<b>1997</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Reconciliation of operating profit to operating cashflows				
Profit before interest payable and receivable		814		1,545
Depreciation of tangible fixed assets	23		35	
Loss on sale of tangible fixed assets	-		6	
Movements in provisions	(2)		(10)	
		21		31
		835		1,576
Movement in stock		(5,616)		(2,145)
Movement in debtors		1,072		(1,337)
Movement in creditors		4,293		2,243
		584		337



# UNITED HOUSE LIMITED

## Year ended 31st December 1998 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 and the Group's accounts:

(a) *Basis of accounting*

The consolidated accounts include the accounts of the Company and its subsidiary undertakings to 31st December of each year. In accordance with S230 of the Companies Act 1985 a separate profit and loss account dealing with the results of the Company has not been presented. The accounts have been prepared, on the going concern basis, in accordance with applicable accounting standards and under the historical cost convention. Associated undertakings are accounted for by the equity method.

(b) *Depreciation*

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

Computer and word processing equipment:	20% - 33%
Other plant and equipment:	14% - 33%
Leased vehicles:	period of the lease

(c) *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost includes all production overheads and the attributable proportion of indirect overhead expenses.

(d) *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

(e) *Deferred taxation*

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future and is not provided where it is expected that no such liability will crystallise.

(f) *Leases*

Assets held under finance leases (including hire purchase contracts) are capitalised at the fair value of the asset with an equivalent liability (net of finance charges allocated to future periods) included within creditors. Assets are depreciated over the lease term. Finance charges are allocated over the life of each lease to produce a constant rate of return on the outstanding balance.

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

(g) *Goodwill*

Goodwill arising on the acquisition of shares in subsidiary undertakings is capitalised and amortised over 20 years. Prior to 1998 goodwill was written off to reserves in the year in which the acquisition took place. The goodwill written off in relation to acquisitions made prior to 23rd December 1989 has not been disclosed since the information is not readily available.

(h) *Pensions*

The Group operates a discretionary defined contribution scheme. This is a money purchase scheme and is operated on an individual employee basis by the Trustees. It is funded in accordance with the Trust Deed and the Company's contributions are charged to the profit and loss account in the year in which contributions are made. At 31st December 1997 and 1998 there were no contributions outstanding.

### 2. Turnover

Turnover represents the total amount receivable by the Group for goods sold, work done and services rendered during the year and is exclusive of VAT. The Group trades largely in the South East of England and turnover arises principally from house building, housing refurbishment and commercial refurbishment.

# UNITED HOUSE LIMITED

## Year ended 31st December 1998 Notes to the Accounts

### 3. Interest payable and similar charges

	1998 £000	1997 £000
Interest on other loans	65	64
Finance charges in respect of finance leases	-	2
	<u>65</u>	<u>66</u>

### 4. Profit on ordinary activities before taxation

	1998 £000	1997 £000
The Profit before taxation is stated after charging:		
Depreciation of tangible fixed assets:-		
Owned	23	33
Held under finance leases	-	3
Hire of plant and machinery	3	8
Other operating lease charges	<u>184</u>	<u>179</u>

The total auditors' remuneration and expenses for United House Limited are shown in the accounts of this Company's fellow subsidiary undertaking, Chart Holdings Limited.

### 5. Emoluments of the Directors

	1998 £000	1997 £000
Emoluments	301	245
Contributions to money purchase pension schemes in respect of 4 directors (1997: 4 directors)	<u>16</u>	<u>11</u>
	<u>317</u>	<u>256</u>

Included above are the following amounts in respect of the highest paid Director: emoluments £100,819 (1997: £73,781), contributions to money purchase pension schemes £6,666 (1997: £2,500).

During the year, PML Consultants (Building & Promotions) Limited ("PML"), a company of which Mr P Lawton was a director and shareholder, provided marketing and public relations consultancy services to United House Limited on an arms length basis. PML was paid £35,750 for those services (1997: £44,305). At 31st December 1998 the amount due but not yet paid in respect of those services was £nil (1997: £nil). In addition PML was also paid £174,000 in respect of services provided by third parties which were arranged by PML as agents for United House Limited (1997: £141,000).

### 6. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year was 156 (1997: 153). The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	3,302	3,177
Social security costs	333	323
Other pension costs	<u>141</u>	<u>177</u>
	<u>3,776</u>	<u>3,677</u>

### 7. Taxation on profit on ordinary activities

	1998 £000	1997 £000
Corporation tax on the profit for the year at 31% (1997: 31.5%)	430	554
Under/(Over) provision for previous years	<u>15</u>	<u>(25)</u>
	<u>445</u>	<u>529</u>

# UNITED HOUSE LIMITED

## Year ended 31st December 1998 Notes to the Accounts

### 8. Retained profit for the financial year

	1998 £000	1997 £000
Retained by holding company	341	989
Retained by subsidiary undertakings	50	(35)
	<u>391</u>	<u>954</u>

### 9. Tangible fixed assets

*Group and Company*

	Motor Vehicles £000	Plant and Machinery £000	Fixtures, Fittings, Tools & Equipment £000	Total £000
Cost at 1 Jan 1998	15	562	160	737
Additions	3	24	2	29
Cost at 31 Dec 1998	<u>18</u>	<u>586</u>	<u>162</u>	<u>766</u>
Depreciation at 1 Jan 1998	7	525	143	675
Charged in year	2	13	8	23
Depreciation at 31 Dec 1998	<u>9</u>	<u>538</u>	<u>151</u>	<u>698</u>
Net book value at 31 Dec 1998	<u>9</u>	<u>48</u>	<u>11</u>	<u>68</u>
Net book value at 1 Jan 1998	<u>8</u>	<u>37</u>	<u>17</u>	<u>62</u>

### 10. Fixed asset investments

	Company 1998 £000	Company 1997 £000
Cost of shares in subsidiary undertakings	1	1
Loans to subsidiary undertakings	440	440
	<u>441</u>	<u>441</u>

Shares in subsidiary undertakings are carried at cost less dividends paid out of pre-acquisition reserves. The subsidiary undertakings set out below are all registered in England and Wales and in each case 100% of the ordinary shares are owned.

On 9 December 1998 the Group acquired for £2 the whole of the issued share capital of United House Solutions Ltd.

	<i>Principal Activities</i>
Appointclass Ltd	Property development
Argos Building & Heating Supplies Ltd	Specialist builders merchants
Calverside Ltd	Property development
Isis Investments Ltd	Dormant
Harp Contracts Ltd	Dormant
Holborn Village Developments Ltd	Property development
Regency Developments Ltd	Property development
Tufton Developments Ltd	Property development
United House Solutions Ltd	Dormant

### 11. Stocks

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Work in progress	11,261	5,515	-	359
Finished goods and goods for resale	280	410	-	-
	<u>11,541</u>	<u>5,925</u>	<u>-</u>	<u>359</u>

# UNITED HOUSE LIMITED

## Year ended 31st December 1998 Notes to the Accounts

### 12. Debtors

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Trade debtors	3,310	2,451	3,301	1,647
Amounts recoverable on contracts	93	462	93	462
Amounts due to fellow subsidiary undertaking	3,888	5,429	2,809	5,019
Other debtors	20	61	20	61
Prepayments and accrued income	50	30	41	30
Dividends receivable from subsidiary undertakings	-	-	25	177
	<u>7,361</u>	<u>8,433</u>	<u>6,289</u>	<u>7,396</u>
The following amounts included above are receivable in more than one year:-				
Trade debtors	<u>243</u>	<u>128</u>	<u>243</u>	<u>128</u>

### 13. Creditors: amounts falling due within one year

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Amounts owed to fellow subsidiary undertakings	11,604	5,835	-	-
Payments on account	77	1,057	77	1,057
Trade creditors	736	765	193	167
Corporation tax	431	526	325	437
Other taxes and social security	804	723	816	1,034
Other creditors	1,077	947	1,077	947
Accruals and deferred income	2,084	2,633	1,892	2,477
	<u>16,813</u>	<u>12,486</u>	<u>4,380</u>	<u>6,119</u>

### 14. Creditors: amounts falling due after more than one year

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Other creditors	<u>52</u>	<u>135</u>	<u>52</u>	<u>135</u>

### 15. Provisions for liabilities and charges

Group and Company:- Repairs Provision

	£000
Balance at 1 January 1998	217
Released to profit and loss account	(2)
Balance at 31 December 1998	<u>215</u>

There is no potential liability to deferred taxation.

### 16. Share capital

	1998	1997
Authorised, allotted, called up and fully paid: 100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

### 17. Profit and loss account

	Group £000	Company £000
Balance at 1 January 1998	1,616	1,810
Retained profit for the financial year	391	341
Balance at 31 December 1998	<u>2,007</u>	<u>2,151</u>

# UNITED HOUSE LIMITED

## Year ended 31st December 1998 Notes to the Accounts

### 18. Leasing commitments

Operating lease payments to be made during the following year on motor vehicles are analysed between those for which the commitment expires as follows:

	<b>Group 1998 £000</b>	<b>Group 1997 £000</b>	<b>Company 1998 £000</b>	<b>Company 1997 £000</b>
Within one year	23	2	9	2
Two to five years	132	54	119	16
	<u>155</u>	<u>56</u>	<u>128</u>	<u>18</u>

### 19. Floating Charge

The Company and its subsidiary undertakings have charged their assets by way of fixed and floating charges to secure certain liabilities of United House Group Limited, this Company's parent undertaking. As at the 31st December 1998 the aggregate amount secured by these charges was £7,287,000 (1997: £882,000).

### 20. Ultimate parent undertaking

The Company is a direct subsidiary undertaking of United House Group Limited, registered in England and Wales, which is also the Company's ultimate parent undertaking.

### 21. Commitments

There were no capital commitments at either 31st December 1997 or 1998 for which provision has not been made in these accounts.

### 22. Contingent liabilities

In the construction industry disputes sometimes arise in the normal course of business and can lead to litigation or arbitration proceedings. The Directors have considered and reviewed all of the Group's contracts and have made full and proper provision in the accounts where they consider that liabilities may exist.

In the normal course of business the Company has provided guarantees to certain suppliers of the Company's subsidiaries and has also guaranteed performance bonds in respect of contracts.