



The Directors present their annual report and audited accounts for the year ended 31 December 2007. This report should be read in conjunction with the statements set out in pages 6 to 14 of these accounts.

Principal Activities and Business Review

United House Limited (UHL) operates from three locations, a 10 acre freehold site in Swanley, Kent, a satellite office in High Wycombe and a dedicated Private Finance Initiative (PFI) delivery office in Islington. The Company is mainly involved in residential construction and refurbishment in social housing.

The results for 2007 are particularly satisfying for the Directors as they underline the strength of their strategy of broadening the Company's construction activities by developing new business lines and investing in services and people. During 2007 UHL achieved a 29% increase in turnover to £108.7m (2006: £84.5m) and profit before tax grew from £1.4m in 2006 to £7.7m in 2007. The gross margin also increased by 1.7% to 13.8%.

Throughout 2007 the Company has been enhancing its social housing refurbishment business, which incorporates its "Decent Homes" activities, and its expanding new-build operation. During the year it was successful in securing a wide variety of projects and, going forward, it has its largest ever order book, in excess of £500m, from which it will achieve substantial growth through 2008 and beyond.

The Company has continued to invest in the range of services it provides under the name of Flag. There are two principal uses of the Flag brand: firstly, it is the computerised refurbishment contract process management system which is used on all UHL refurbishment contracts and, secondly, it is the name used to brand its in-house mechanical services consultancy and its computerised design services which now incorporates kitchen design as well as the extensive heating design modules.

UHL's wholly-owned subsidiary, Flag Building and Heating Supplies Limited, increased the range of products it sources and supplies, thereby improving UHL's just-in-time delivery to individual properties. This capability increases UHL's flexibility and ensures that there are no costly delays as a result of stock shortage on sites.

In addition to usual financial measures, UHL monitors customer satisfaction and safety through Key Performance Indicators (KPIs). Customer satisfaction is measured on all refurbishment projects based on national Construction Excellence Housing Customer Satisfaction KPI or other specific contractual requirements. The average customer satisfaction score for 2007 remains at 93%, which compares favourably with customary client targets of 85-90%. Safety is measured by monitoring Accident Incident Rate (AIR) as defined in the Construction Excellence Safety KPI. The AIR for 2007 was 1,262 which compares favourably with the LFS industry average, as published by the British Safety Council, of c1,600 for 2005/6 (c1,800 for 2004/5).

Risk management

UHL constantly monitors the risks inherent in its businesses in order to maintain strategies to counter any possible damage. The main risks it faces are -

- Recruitment and retention of high calibre experienced staff to deliver the projects which the Company is contracted to conclude, together with the possibility of skills shortages in the construction industry in the UK. The Company has increased its investment in training and in the provision of the latest tools and technology to improve the efficiency of its workforce.

Corporate Social Responsibility

UHL's commitment to becoming Greener forms part of the Company's wider Corporate Social Responsibility (CSR) agenda. In keeping with increased national awareness of the environment, the Company commenced redevelopment of its environmental management system as a means of continually reducing the impact of its operations on the environment and the communities in which it works. Furthermore, the Company is committed to implement the redeveloped environmental management system across all of its operations and to obtain certification to ISO 14001 by late-2008.

As part of the CSR agenda, the Company has been active in its fund raising events, raising significant sums for its two chosen charities, Breast Cancer Campaign and Kent Air Ambulance. One of the Company's early initiatives was the increasing involvement of residents on its Decent Homes schemes, with 2007 seeing numerous events in Slough, Barnet, Eastbourne, Hillingdon and other areas of London.

Further details of the Company's activities can be found on our website, www.unitedhouse.net

Directors' Report
31 December 2007

Results for the Year

Turnover for the Company for the year was £108,735,000 (2006 £84,495,000) and the profit before taxation was £7,739,000 (2006 £1,397,000)

The Directors do not recommend the payment of a dividend (2006 £nil per share) Movements in reserves are shown in Note 16 on page 13

Directors and Directors' Interests

The Directors of the Company during the year were as follows

Mr J W Adams
Mr M Allum
Mr S B Chamberlain
Mr C P Dixon
Mr K B Duggan
Mr P R Greenwood
Mr J D Hindle
Mr S J Knight
Mr A E Martin
Mr P T Nicholls
Mr R J Roberts
Mr P M Samways
Mr A D Sivill
Mr D I Watson (appointed 26 July 2007)

The Directors of the Company have no interests in the shares of the Company Mr Adams is also a Director of United House Group Limited, the Company's ultimate parent undertaking His interests in the shares of that Company are disclosed in the accounts of that Company as appropriate

Staff Involvement

Employee environment

The Company's employees are its most valued assets and in recent years the Company has grown to today's diverse organisation employing a wide range of people with different skills and backgrounds Since 2007, the Company has increased the work force by over 100 new employees, including several very experienced in senior managerial positions

In addition to employing new members of staff, the Company is also keen to harness the talent of its existing employees by encouraging and supporting their ongoing development A new Performance Review System was introduced in 2007/2008 which allowed the Company to capture the training and development needs of all our employees, thereby focusing effort In 2007, the Company held 719 training days and is sponsoring 42 members of staff through qualifications, including professional qualifications, degrees and post degrees together with NVQs and NVCs

As part of developing future talent within the business, the Company established The Academy, which was open to all aspiring employees The objectives of the scheme are to provide participants with specific programmes to develop their skills to become future leaders and managers of the Company This includes both coaching and mentoring schemes

The Company strives to ensure that its people are aware of plans that will affect them and their future, and that they have a platform to put forward their views and ideas on any aspect of the development of the business This is undertaken both informally through employee's line managers and the HR Department, and through formalised events and forums The Company launched the United House Information Exchange in 2006, which is a forum for discussion of issues that affect the Company and its employees It is chaired by the Chief Executive of UHG (UHL's immediate parent) and comprises an elected representative group of employees To date, the forums have fed back to the Company on such issues as financial performance, business planning, policies and procedures, IT developments, and employee benefits

In 2007, there was the biennial staff conference attended by all employees At the conference feedback was given to employees from the Employee Survey carried out in mid 2007, which achieved an excellent 69% response rate This Survey highlighted an exceptionally high degree of job satisfaction, motivation and confidence about the future prospects of the Company This survey has been run again in 2008 and the preliminary results show improvements in the majority of areas

UNITED HOUSE LIMITED

Directors' Report 31 December 2007

Staff Involvement (continued)

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 Company has now won a prestigious safety award from the British Safety Council for the fourteenth year in a row, underlining the continuing commitment to Health and Safety. The Company's Health and Safety Policy and Management System are accessible at all of its offices and sites.

Charitable Donations

During 2007 the Company made charitable contributions of £49,849 (2006 £75,069).

Fixed Assets

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

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board



V Haynes
Company Secretary

23rd October 2008

United House
Goldsel Road
Swanley
Kent BR8 8EX

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements 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 company and to prevent and detect fraud and other irregularities.

**Independent auditors' report to the members of
United House Limited**

We have audited the financial statements of United House Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes. 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 auditor's 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its 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.

KPMG LLP

**KPMG LLP
Chartered Accountants
Registered Auditor**

28 October 2008

**1 Forest Gate
Brighton Road
Crawley
RH11 9PT**

UNITED HOUSE LIMITED

Profit and Loss Account For the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	108,735	84,495
Cost of sales		(93,619)	(74,173)
Gross profit		15,116	10,322
Distribution costs		(1,380)	(1,347)
Administration expenses		(7,391)	(8,444)
Other operating income		44	29
Operating profit		6,389	560
Profit on the sale of investments	10	780	-
Net interest receivable and similar items	3	525	315
Income from fixed asset investments	4	45	522
Profit on ordinary activities before taxation	5	7,739	1,397
Taxation on profit on ordinary activities	8	(2,418)	(454)
Profit for the financial year	16	5,321	943

The results stated above all relate to continuing operations

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

Reconciliation of Movements in Shareholders' Funds For the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the financial year	5,321	943
Opening shareholders' funds	9,851	8,908
Closing shareholders' funds	15,172	9,851

Movements in reserves are shown in Note 16 on page 13

The notes on pages 8 to 14 form part of these accounts

UNITED HOUSE LIMITED

Balance Sheet At 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Fixed assets			
Tangible assets	9	636	678
Investments	10	<u>5</u>	<u>5</u>
		<u>641</u>	<u>683</u>
Current assets			
Stocks	11	1,486	821
Debtors (including £970,000 (2006 £338,000) due after more than one year)	12	<u>52,343</u>	<u>36,530</u>
		53,829	37,351
Creditors: amounts falling due within one year	13a	<u>(37,406)</u>	<u>(26,722)</u>
Net current assets		<u>16,423</u>	<u>10,629</u>
Total assets less current liabilities		17,064	11,312
Creditors: amounts falling due after more than one year	13b	(797)	(479)
Provisions for liabilities and charges	14	<u>(1,095)</u>	<u>(982)</u>
		<u>15,172</u>	<u>9,851</u>
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	<u>15,172</u>	<u>9,851</u>
Equity Shareholders' funds		<u>15,172</u>	<u>9,851</u>

These accounts were approved by the Board of Directors on 23rd October 2008 and were signed on its behalf by



J W Adams, Director

The notes on pages 8 to 14 form part of these accounts

UNITED HOUSE LIMITED

Year ended 31 December 2007

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, on the going concern basis, in accordance with applicable accounting standards and under the historical cost convention. The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to produce group accounts. These accounts present information about the Company as an individual undertaking not about its group. Information about the Company's subsidiary undertakings is included in the accounts of United House Group Limited.

(b) *Depreciation*

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

Computer equipment	20% - 33%
Other plant and equipment	14% - 33%
Motor vehicles	10% - 33%

(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. Cost also includes financing costs where loans are taken out to directly fund property development projects.

(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. Payments on account are included in creditors and recognise cash received in excess of turnover recognised.

(e) *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(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) *Cash flow statement*

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement under the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

UNITED HOUSE LIMITED

Year ended 31 December 2007

Notes to the Accounts

(h) Pensions

The Company is a wholly owned subsidiary of United House Group Limited (the Group). During the previous year the Group operated a discretionary defined contribution scheme. This was a money purchase scheme and was operated on an individual employee basis by the Trustees. It was funded in accordance with the Trust Deed and the Company's contributions were charged to the profit and loss account in the year in which contributions were made. The Scheme was closed during 2006 and was replaced by a group personal pension plan. Benefits of the scheme were secured by the purchase of individual s32 Buy Out policies unless members chose to make their own alternative arrangements. During 2008 the Scheme was wound up. Contributions charged to the profit and loss account in the year were £nil (2006 £213,373). At 31 December 2007 no contributions were outstanding (2006 £nil).

During 2006 the Group set up a group personal pension plan. The plan is administered by Scottish Widows plc who hold all the assets of the plan. Membership is open to all permanent employees. Contributions are charged to the profit and loss account when they are due. Contributions charged to the profit and loss account in the year were £444,242 (2006 £482,849). At 31 December 2007 contributions of £nil were outstanding (2006 £28,005).

During the year the Group also made contributions to employees' individual private personal pension plans. Contributions are charged to the profit and loss account when they are due. Contributions charged to the profit and loss account in the year were £177,784 (2006 £100,000). At 31 December 2007 contributions of £nil were outstanding (2006 £45,000).

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 largely in the South East of England and turnover arises principally from house building, housing refurbishment and commercial refurbishment.

3. Net interest receivable and similar items

	2007 £000	2006 £000
Amounts payable on bank loans and overdrafts	(774)	(29)
Other interest payable	(293)	(3)
Total interest payable	<u>(1,067)</u>	<u>(32)</u>
 Total interest receivable	 <u>1,592</u>	 <u>347</u>
 Net interest receivable and similar items	 <u><u>525</u></u>	 <u><u>315</u></u>

4. Income from fixed asset investments

	2007 £000	2006 £000
Dividend received from subsidiary undertaking	45	200
Dividend received from joint venture	-	322
	<u>45</u>	<u>522</u>

5. Profit on ordinary activities before taxation

	2007 £000	2006 £000
The Profit before taxation is stated after charging / (crediting)		
Depreciation of tangible fixed assets -		
Owned	573	503
Profit on disposal of tangible fixed assets	(2)	-
Auditors remuneration -		
Audit fee	15	16
Tax services	49	70
Other operating lease charges	<u>207</u>	<u>210</u>

UNITED HOUSE LIMITED

Year ended 31 December 2007

Notes to the Accounts

6. Emoluments of the Directors

	2007 £000	2006 £000
Emoluments	1,616	1,483
Contributions to group personal pension schemes in respect of 10 directors (2006 10 directors)	191	104
	<u>1,807</u>	<u>1,587</u>

Included above are the following amounts in respect of the highest paid Director emoluments £131,839 (2006 £239,192), contributions to money purchase pension schemes £133,860 (2006 £nil)

7. Staff costs

The aggregate payroll costs of the Company (including Directors) were as follows

	2007 £000	2006 £000
Wages and salaries	12,211	11,022
Social security costs	1,552	1,424
Other pension costs	622	796
	<u>14,385</u>	<u>13,242</u>

The average number of persons employed by the Company (including Directors) during the year was

	2007 Number	2006 Number
Management	27	26
Administration	103	92
Technical	14	17
Operations	208	192
	<u>352</u>	<u>327</u>

8. Taxation on profit on ordinary activities

	2007 £000	2006 £000
<i>UK Corporation Tax</i>		
Corporation tax for the year	2,174	478
Adjustments for prior periods	244	(24)
Total current tax	2,418	454
Deferred tax	-	-
Tax on profit on ordinary activities	<u>2,418</u>	<u>454</u>

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation tax in the UK of 30%

The differences are explained below

Profit on ordinary activities before taxation	<u>7,739</u>	<u>1,397</u>
Current tax at 30%	2,322	419
<i>Effects of</i>		
Expenses not deductible for tax purposes	64	182
Depreciation in excess of capital allowances	1	4
Other timing differences	41	30
Income on disposal of subsidiary not subject to tax	(240)	-
Dividend income from subsidiary and joint venture undertakings	(14)	(157)
Adjustments in respect of prior periods	244	(24)
Total current tax charge	<u>2,418</u>	<u>454</u>

The Company has potential deferred tax assets of £381,000 (2006 £285,000) arising from timing differences between capital allowances and depreciation of £287,000 (2006 £237,000) and other timing differences of £94,000 (2006 £48,000). The asset has not been recorded due to uncertainty surrounding the timing of future recovery.

UNITED HOUSE LIMITED

Year ended 31 December 2007

Notes to the Accounts

9. Tangible fixed assets

	Motor Vehicles £000	Plant and Machinery £000	Fixtures, Fittings, Tools & Equipment £000	Total £000
Cost at 1 Jan 2007	5	2,096	189	2,290
Additions	17	470	44	531
Disposals	-	-	-	-
Cost at 31 Dec 2007	22	2,566	233	2,821
Depreciation at 1 Jan 2007	5	1,508	99	1,612
Charged in year	3	538	32	573
Eliminated on disposals	-	-	-	-
Depreciation at 31 Dec 2007	8	2,046	131	2,185
Net book value at 31 Dec 2007	14	520	102	636
Net book value at 31 Dec 2006	-	588	90	678

10. Fixed asset investments

	2007 £000	2006 £000
Cost of shares in subsidiary undertakings	-	-
Shares in joint ventures	5	5
Loans to joint ventures	-	-
	<u>5</u>	<u>5</u>

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

Joint ventures

U B Developments Ltd

50% of the ordinary shares are owned by United House Ltd

The accounting period end is 30 April

Principal Activities

Property development

Subsidiaries

Flag Building & Heating Supplies Ltd

Harp Contracts Ltd

Isis Investments Ltd

UHL Ltd

UHL (Media House) Limited Ltd

UHL Shelfco Ltd

Principal Activities

Builders' merchants

Dormant

Dormant

Dormant

Property ownership

Dormant

On 5 December 2007, the Company disposed of its entire issued share holding in Unitary Limited for a cash consideration of £800,000 (£550,000 was received after the year end) generating a profit of £779,806. Further proceeds of sale are receivable only on achievement of terms as specified in the Sale Agreement. Legal expenses of £20,194 were incurred in the year in respect of this disposal.

11. Stocks

	2007 £000	2006 £000
Materials and supplies	<u>1,486</u>	<u>821</u>

UNITED HOUSE LIMITED

Year ended 31 December 2007

Notes to the Accounts

12. Debtors

	2007 £000	2006 £000
Trade debtors	14,403	6,075
Amounts recoverable on contracts	13,442	11,880
Amounts due from ultimate parent company	36	36
Amounts due from parent company	1	1
Amounts due from fellow subsidiary undertakings	19,310	16,901
Amounts due from subsidiary undertakings	3,625	318
Corporation tax	-	597
Other debtors	574	21
Prepayments and accrued income	952	701
	<u>52,343</u>	<u>36,530</u>
The following amounts included above are receivable in more than one year -		
Trade debtors	<u>970</u>	<u>338</u>

13a. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	2,593	1,399
Amounts owed to fellow subsidiary undertakings	19,700	11,026
Amounts owed to subsidiary undertakings	770	264
Payments on account	3,490	3,797
Corporation tax	1,948	-
Other taxes and social security	1,028	1,206
Other creditors	2,047	2,059
Accruals and deferred income	5,830	6,971
	<u>37,406</u>	<u>26,722</u>

13b. Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Due between one and two years -		
Other creditors	<u>797</u>	<u>479</u>

14. Provisions for liabilities and charges

Defects Provision

	£000
Balance at 1 January 2007	982
Additional provision provided	601
Provision used during the year	(335)
Unused amounts reversed during the year	(153)
Balance at 31 December 2007	<u>1,095</u>

Under the terms of certain of its contracts, the Group is liable for the cost of rectifying defects for a period of 12 months after practical completion of such contracts. This provision represents the Directors' estimate of the likely cost of this liability.

There is no potential liability to deferred taxation.

UNITED HOUSE LIMITED

Year ended 31 December 2007 Notes to the Accounts

15. Share capital

	2007 £	2006 £
Authorised, allotted, called up and fully paid 100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

16. Profit and loss account

	£000
Balance at 1 January 2007	9,851
Profit for the financial year	<u>5,321</u>
Balance at 31 December 2007	<u>15,172</u>

17. Contingent liabilities

In the construction industry disputes sometimes arise in the normal course of business and can lead to litigation or arbitration proceedings. On the basis of the information available, the directors are of the opinion that these claims will not give rise to liabilities which will have a material effect on these accounts. Consequently, no provision against these claims is required.

In the normal course of business the Company has guaranteed performance bonds, in respect of construction contracts, to both providers of the bond and other parties to the contracts.

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:

	2007 £000	2006 £000
Within one year	22	37
Two to five years	<u>211</u>	<u>154</u>
	<u>233</u>	<u>191</u>

19. Other commitments

There were no capital commitments at either 31 December 2007 or 2006 for which provision had not been made in these accounts.

20. Floating Charge

The Company has charged its assets by way of fixed and floating charges and by way of an unlimited multilateral guarantee dated 1 April 2005 to secure certain liabilities of United House Group Limited, this Company's ultimate parent undertaking. As at the 31 December 2007 the aggregate amount secured by these charges was £19,162,467 (2006 £1,335,964).

21. Related parties

As the Company is a wholly owned subsidiary of UHG Limited and 100% of the Company's voting rights are controlled within the group headed by United House Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of United House Group Limited, within which this Company is included, can be obtained from the address given on page 3.

UNITED HOUSE LIMITED

Year ended 31 December 2007

Notes to the Accounts

21. Related parties (continued)

The Company holds 50% of the issued share capital of U B Developments Limited, as detailed in note 10 of these accounts. During the prior year the Company carried out construction work and marketing services on behalf of UB Developments Limited to the value of £49,000. During 2007, there were no similar transactions and at 31 December 2007, the Company was owed £nil (2006 £nil).

During the year, the Company has traded with Arundel Square Developments Limited (ASD), which is a joint venture investment of Modern City Living Limited (MCL), a fellow subsidiary of the Company. During the year, United House Limited (UHL) carried out project services for ASD at a value of £3,165,000 (2006 £604,000). At the year end, UHL was owed £227,651 in relation to this work (2006 ASD was owed £43,000).

During the year, the Company has traded with Wharf Road Developments Limited (WRD), which is a joint venture investment of Modern City Living Limited (MCL), a fellow subsidiary of the Company. During the year, United House Limited (UHL) carried out project services for WRD at a value of £7,671,000 (2006 £1,538,000). At the year end, UHL was owed £1,225,000 (2006 £613,000) in relation to this work.

United House Solutions Limited (UHS), a fellow subsidiary of the Company, holds 45% of the issued share capital of PFI Islington (Holdings) Ltd (PFIH). During the year UHL carried out construction work for Partners For Improvement in Islington Limited, a 100% subsidiary of PFIH, to the value of £11,718,000 (2006 £11,371,000) and gas servicing work to the value of £285,000 (2006 £356,000). At 31 December 2007, UHL was owed £232,000 in relation to this work (2006 £83,000).

United House Solutions Limited (UHS), a fellow subsidiary of the Company, holds 50% of the issued share capital of PFI Camden (Holdings) Ltd (PFICH). During the year UHL carried out construction work for Partners For Improvement in Camden Limited (PFIC), a 100% subsidiary of PFICH, to the value of £2,840,000 (2006 £40,000) and gas servicing work to the value of £97,000 (2006 £63,000). At 31 December 2007, UHL was owed £nil (2006 £nil) in relation to this work.

United House Solutions Limited (UHS), a fellow subsidiary of the Company, holds 45% of the issued share capital of PFI Islington 2 (Holdings) Ltd (PFI2H). During the year UHL carried out construction work for Partners For Improvement in Islington 2 Limited (PFI2), a 100% subsidiary of PFI2H, to the value of £25,522,000 (2006 £2,448,000) and gas servicing work to the value of £552,000 (2006 £165,000). At 31 December 2006, UHL was owed £119,000 (2006 £176,000) in relation to this work.

22. Ultimate parent undertaking

The Company is a direct subsidiary undertaking of UHG Limited, which is registered in England and Wales. The smallest group in which the Company is consolidated is that headed by UHG Limited. The largest group in which the Company is consolidated is that headed by United House Group Limited, registered in England and Wales, which is the Company's ultimate parent undertaking.

United House Group Limited and its subsidiary undertaking UHG Limited prepare consolidated accounts and copies can be obtained from the address stated on page 3 of these accounts.