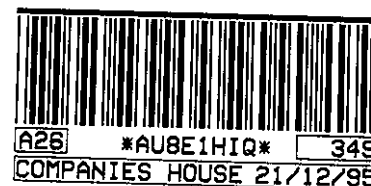


UNITED HOUSE LIMITED  
Registered No. - 817560  
YEAR ENDED 31ST DECEMBER 1994  
DIRECTORS' REPORT AND ACCOUNTS



The Directors present their annual report and the audited accounts for the year ended 31st December 1994. This report should be read in conjunction with the statements set out in pages 5 to 12 of these accounts.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is the provision of services to the building industry. The Company trades through two main divisions, United House Construction and United House Mechanical Services, and operates from the Group's 10 acre freehold headquarters site in Swanley, Kent, and from its Western Division offices in High Wycombe.

The recession in the Construction industry continued through 1994, which understandably proved a difficult trading year. The Company, with its large stock of goodwill, its reputation for quality, and with an excellent client base, made the decision to move away from identified unprofitable markets back into its core areas.

The most significant aspect of this policy was the decision, taken at the end of 1994, to cease tendering for design and build work. In a significantly over-supplied market it became impossible to win such contracts except at a loss. The Company has not tendered for design and build work since the autumn of 1994 and all the contracts that were won during 1993 and 1994 have now been completed. Full provision has been made in these accounts for the losses incurred on those contracts up to their completion. In total this amounts to a loss of some £2.6 million.

Following the decision to concentrate on its core markets, United House has discussed its policy with many clients, all of whom have proved supportive. Some have started to negotiate work and others have been keen to enter into partnership schemes with the Company. As an example, and because of its reputation, United House has been able to come to an arrangement with a leading merchant bank to offer Local Authorities and Housing Associations deferred payment terms for improvement work to housing. Generally, these cover the installation of heating systems, new kitchens and bathrooms. Recent changes in Government housing policy have resulted in renewed concentration of resources on refurbishment of social housing which should assist the Company further.

The Company, in past years, purchased land and funded a number of major turnkey new build and refurbishment projects, primarily in the social housing sector. The Company sees such schemes as a major growth area, providing an ideal opportunity to work in partnership with Housing Associations and the providers of social housing in the future.

United House, now in its fourth year of quality assurance, has strengthened its quality management team with the appointment of a Quality Manager. All its systems have now been changed to the new standard ISO 9001; this significant investment has been seen by our clients as a major commitment to them.

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
DIRECTORS' REPORT AND ACCOUNTS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Turnover for the year was £37,562,000 (1993: £31,333,000) and the loss before taxation was £1,247,000 (1993: profit £430,000).

The Directors do not recommend the payment of a dividend (1993: nil). Transfers to and from reserves are noted on page 11.

DIRECTORS AND DIRECTORS' INTERESTS

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

Mr J W Adams	
Mr R A Allen	
Mr M Castle	(appointed 7th March 1994, resigned 8th August 1995)
Mr K B Duggan	
Mr J D Hindle	
Mr P Lawton	(appointed 1st August 1994)
Mr R A Perkins	
Mr L G Vesey	(resigned 28th July 1995)
Mr S Westaway	(resigned 27th July 1995)

The Directors of the Company have no interests in the shares of the Company. At 31st December 1994 both Mr Adams and Mr Duggan were 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.

STAFF INVOLVEMENT

Employee environment -

During the year employees of the Company have continued to be kept involved in the activities and progress of the Company, and of the Group of which it forms part. The Company is now in its fourth year of full staff appraisal systems which have undoubtedly benefited all involved. As a result of these appraisals, a training programme has been established which covers all aspects of the needs of employees. The average length of service for members of staff over the Company's 30 year history has been eight and a half years.

Disabled Persons -

In its employee recruitment practices, full consideration is given to job applications received from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the duties of the job. Where disabled persons have the aptitude and the abilities necessary for the job, sympathetic consideration is given to their applications where necessary and, where possible, special training arrangements will be made to facilitate their engagement.

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.

Encouragement is given in the training, care, development and promotion of all employees according to opportunities available, organisation requirements and individual aptitudes and abilities. This also includes disabled employees for whom any further necessary training is arranged, taking account of their particular needs.

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
DIRECTORS' REPORT AND ACCOUNTS

CHARITABLE CONTRIBUTIONS

During 1994 the Company made charitable contributions of £25,777 (1993 - £22,979).

FIXED ASSETS

Details of changes to fixed assets are given in Note 7 to the accounts.

AUDITORS

On 6th February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. 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.

By order of the Board

A handwritten signature in dark ink, appearing to read 'S Cross', written in a cursive style.

S Cross  
Company Secretary

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994

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 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 Company 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 Company 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 5 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 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 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 at 31st December 1994 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

LONDON  
19th December 1995

Chartered Accountants  
Registered Auditors

UNITED HOUSE LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1994

	<u>Note</u>	<u>£000</u>	<u>1994</u> <u>£000</u>	<u>£000</u>	<u>1993</u> <u>£000</u>
TURNOVER	2		37,562		31,333
Cost of sales			(34,869)		(27,385)
GROSS PROFIT from core activities		5,312		4,066	
Gross loss from design and build contracts	3	(2,619)		(118)	
			2,693		3,948
Distribution costs			(997)		(936)
Administrative expenses			(3,244)		(2,870)
Other operating income			-		4
Interest receivable			1		34
			(1,547)		180
Income receivable from subsidiary undertakings			300		250
(LOSS)/PROFIT ON ORDINARY ACTIVITIES					
BEFORE TAXATION	3		(1,247)		430
Tax on (loss)/profit on ordinary activities	6		217		(157)
Retained (loss)/profit for the financial year			(1,030)		273

The results stated above all relate to continuing operations.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 1994

	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
Retained (loss)/profit for the financial year	(1,030)	273
Shareholders funds brought forward	557	284
Shareholders funds carried forward	(473)	557

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 15 on page 11.

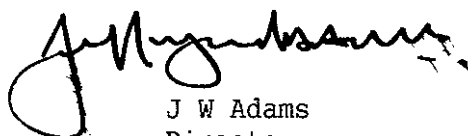
The notes on pages 8 to 12 form part of these accounts.

UNITED HOUSE LIMITED  
BALANCE SHEET AS AT 31ST DECEMBER 1994

	Note	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	7	126	158
Investments	8	22	22
		<u>148</u>	<u>180</u>
CURRENT ASSETS			
Stocks	9	931	1,643
Debtors *	10	4,492	4,170
		<u>5,423</u>	<u>5,813</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(5,500)	(5,084)
NET CURRENT (LIABILITIES)/ASSETS		<u>(77)</u>	<u>729</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71	909
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(279)	(204)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(265)	(148)
NET (LIABILITIES)/ASSETS		<u>(473)</u>	<u>557</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account	15	(473)	557
SHAREHOLDERS FUNDS		<u>(473)</u>	<u>557</u>

\* Included within debtors are amounts receivable after more than one year of £541,000 (1993: £441,000).

These accounts were approved by the Board of Directors on 19th December 1995.

  
 J W Adams  
 Director

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

UNITED HOUSE LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 1994

	1994	1993
	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	635	319
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	1	34
Income received from subsidiary undertakings	-	250
	<u>1</u>	<u>284</u>
TAXATION		
Corporation tax recovered on ordinary activities	123	-
INVESTING ACTIVITIES		
Payments to acquire tangible fixed assets	(31)	(96)
Receipts from sale of tangible fixed assets	-	1
	<u>(31)</u>	<u>(95)</u>
NET CASH INFLOW BEFORE FINANCING	<u>728</u>	<u>508</u>
FINANCING		
Movement in amounts due to ultimate parent undertaking	<u>728</u>	<u>508</u>
ANALYSIS OF NET CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before interest receivable	(1,548)	146
Depreciation of tangible fixed assets	63	62
Movements in provisions	117	26
	<u>180</u>	<u>88</u>
	(1,368)	234
Movement in stock	712	121
Movement in debtors	72	(1,382)
Movement in creditors	1,219	1,346
	<u>635</u>	<u>319</u>
ANALYSIS OF AMOUNTS DUE TO ULTIMATE PARENT UNDERTAKING		
At 1st January	(1,002)	(1,510)
Movement during the year	728	508
At 31st December	<u>(274)</u>	<u>(1,002)</u>

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of accounting

The accounts have been prepared 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.

(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:

Computer and word processing equipment	20% - 33%
Other plant and equipment	15% - 33%

(c) Stocks

Work in progress is 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. Deferred taxation is not provided where it is expected that no such liability will crystallise.

(f) Operating Leases

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 written off to reserves in the year in which the acquisition takes place. The goodwill written off in relation to acquisitions made prior to 23rd December 1989 has not been disclosed since the information is not available.

(h) Pensions

The Group operates a discretionary defined contribution scheme. This is a contracted out 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.



UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
NOTES TO THE ACCOUNTS

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. <u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>1994</u>	<u>1993</u>
The (Loss)/Profit before taxation is stated after	<u>£000</u>	<u>£000</u>
charging the following:		
Depreciation of tangible fixed assets	63	62
Directors' remuneration as executives (see note 4)	324	242
Hire of plant and machinery	5	6
Other operating lease charges	<u>105</u>	<u>150</u>

The total auditor's remuneration and expenses for United House Limited are shown in the accounts of this Company's ultimate parent undertaking.

EXCEPTIONAL ITEM

As explained in the Directors' Report, the Company decided at the end of 1994 to cease tendering for design and build work. Full provision has been made in these accounts for the losses incurred on such contracts up to the date of their completion.

4. EMOLUMENTS OF DIRECTORS

The emoluments of the highest paid Director, excluding pension contributions but including benefits in kind, were £69,175 (1993: £55,720). The emoluments of the Chairman were nil (1993: nil). The emoluments of the Directors, excluding pension contributions, were within the following ranges:

	<u>1994</u>	<u>1993</u>
£0 - £5,000	<u>2</u>	<u>2</u>
£15,001 - £20,000	1	-
£35,001 - £40,000	1	1
£40,001 - £45,000	1	1
£45,001 - £50,000	2	2
£50,001 - £55,000	1	-
£55,001 - £60,000	-	1
£65,001 - £70,000	1	-

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. In the period after Mr P Lawton became a director of United House Limited, PML was paid £6,547 for those services. In addition PML was also paid £55,000 in respect of services provided by third parties which were arranged by PML as agents for United House Limited.

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
NOTES TO THE ACCOUNTS

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including Directors) during the year was 163 (1993: 145). The aggregate payroll costs of these persons were as follows:

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Wages and salaries	2,984	2,522
Social security costs	273	232
Other pension costs	68	59
	<u>3,325</u>	<u>2,813</u>

6. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Corporation tax on the (loss)/profit for the year of the Company at 33% (1993: 33%)	(214)	153
(Over)/Under provision in respect of previous years	(3)	4
	<u>(217)</u>	<u>157</u>

7. TANGIBLE FIXED ASSETS

	<u>Vehicles</u>	<u>Plant and machinery</u>	<u>Fixtures, fittings, tools and equipment</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost at 1 Jan 1994	2	479	152	633
Additions	-	30	1	31
Cost at 31 Dec 1994	<u>2</u>	<u>509</u>	<u>153</u>	<u>664</u>
Depreciation at 1 Jan 1994	2	386	87	475
Charged in year	-	46	17	63
Depreciation at 31 Dec 1994	<u>2</u>	<u>432</u>	<u>104</u>	<u>538</u>
Net book value at 31 Dec 1993	<u>-</u>	<u>93</u>	<u>65</u>	<u>158</u>
Net book value at 31 Dec 1994	<u>-</u>	<u>77</u>	<u>49</u>	<u>126</u>

8. INVESTMENTS (Held as Fixed Assets)

Investments represent shares in group undertakings carried at cost (£65,000) less provisions for permanent diminution in value (£43,000). The subsidiary undertakings set out below are all registered in England and Wales.

	<u>Holding %</u>	<u>Principal Activities</u>
	<u>Ord Shares</u>	
Alpha Therm Ltd	100	Distribution of boilers and copper tube
Harp Contracts Ltd	100	Dormant
Harp (Western) Ltd	100	Dormant
HH (1964) Ltd	100	Dormant
Prime Equipment Ltd	100	Dormant

On 13th January 1995 the Company sold the whole of its shareholding in its subsidiary Alpha Therm Ltd, to the Company's new ultimate holding company. Also on 13th January 1995 the Company acquired the whole of the issued share capital of Argos Building & Heating Supplies Ltd which was formerly a subsidiary of Alpha Therm Ltd. Details of the Group reorganisation, of which these transactions form part, are given in the Note 18.

9. STOCKS

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Work in progress	<u>931</u>	<u>1,643</u>

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
NOTES TO THE ACCOUNTS

10. <u>DEBTORS</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Trade debtors	3,765	3,418
Amounts recoverable on contracts	176	565
Taxation recoverable	204	110
Other debtors	24	59
Prepayments and accrued income	23	18
Dividends receivable from subsidiary undertakings	300	-
	<u>4,492</u>	<u>4,170</u>

The following amounts included above are  
receivable in more than one year:-

Retentions included within Trade debtors	<u>541</u>	<u>441</u>
--	------------	------------

11. <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Payments on account	399	397
Trade creditors	269	148
Amounts owed to ultimate parent undertaking	274	1,002
Other taxes and social security	694	797
Other creditors	965	648
Accruals and deferred income	2,899	2,092
	<u>5,500</u>	<u>5,084</u>

Other creditors include £25,000 (1993: £20,000) due to the Group pension scheme.

12. <u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Other creditors	<u>279</u>	<u>204</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Repairs Provision</u>
	<u>£000</u>
Balance at 1 Jan 1994	148
Charged to profit and loss account	117
Balance at 31 Dec 1994	<u>265</u>

There is no potential liability to deferred taxation.

14. <u>SHARE CAPITAL</u>	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>
Authorised, allotted, called up and fully paid: 100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

15. <u>PROFIT AND LOSS ACCOUNT</u>	
	<u>£000</u>
Balance at 1 January 1994	557
Retained loss for the financial year	(1,030)
Balance at 31 December 1994	<u>(473)</u>

UNITED HOUSE LIMITED  
YEAR ENDED 31ST DECEMBER 1994  
NOTES TO THE ACCOUNTS

**16. 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:

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Within one year	13	47
Two to five years	<u>3</u>	<u>17</u>
	<u>16</u>	<u>64</u>

**17. 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 1994 the aggregate amount secured by these charges was £468,000 (1993: NIL).

**18. ULTIMATE PARENT UNDERTAKING**

At 31st December 1994 the Company was a direct subsidiary undertaking of United House Group Limited, registered in England and Wales, which was also the Company's ultimate parent undertaking.

**19. POST BALANCE SHEET EVENT - GROUP REORGANISATION**

During recent years the United House Group of Companies has developed its business in two main markets and through its two principal trading subsidiaries. United House Limited has grown into a major refurbishment contracting company while Alpha Therm Limited is now an established distribution company. The management of these two companies are now completely autonomous from each other.

This being the case it was decided that the legal structure of the Group no longer properly reflected the operational structure and therefore, on 13th January 1995 the Group structure was reorganised. This involved the transfer of various shareholdings within the Group and the formation of a new holding company. The old United House Group Limited changed its name to Chart Holdings Limited and the new holding company was re-named United House Group Limited.

Following the reorganisation the Group is now structured horizontally reflecting the management structure, with the new holding company directly owning three subsidiaries; United House, the building contractor, Alpha Therm, the distribution company, and Chart Holdings which manages the group's premises and provides management services to other group companies.

There were no changes to the group's total liabilities or net assets as a result of the reorganisation, the existing shareholders in United House Group swapping their shareholdings in that company for shareholdings in the new holding company.

The new group holding company was formed on 6th December 1994 as Obtainflower Limited, registered number 2998303. It did not trade prior to the reorganisation on 13th January 1995 and its first accounts will be prepared for the period to 31st December 1995.

**20. 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 Company's contracts and have made full and proper provision in the accounts where they consider that liabilities may exist.

The Company has also guaranteed performance bonds in respect of contracts in the normal course of business.