

1854872

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

FINANCIAL STATEMENTS

31 DECEMBER 1998

Clement Keys
CHARTERED ACCOUNTANTS ☐



**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

FINANCIAL STATEMENTS

for the period ended 31 December 1998

CONTENTS

	Page
Company information	1
Directors' report	2 and 2a
Statement of directors' responsibilities	3
Auditors' report	4
Group profit and loss account	5
Group balance sheet	6
Balance sheet	7
Group cash flow statement	8
Notes to the financial statements	9 to 23

The following Appendix does not form part of the statutory accounts

Detailed trading and profit and loss account	1
---	---

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

COMPANY INFORMATION

31 December 1998

Registered Number	1854872
Directors	P J Underhill J S Harper W P Rees M W Lennock P N Mondon (Appointed 31 December 1998) R L Amos (Appointed 31 December 1998)
Secretary	M W Lennock
Registered office	Beeches Road Rowley Regis West Midlands B65 0BB
Bankers	Barclays Bank Plc Dudley Business Centre 47 High Street Dudley West Midlands DY1 1PP
Solicitors	George Green & Co 195 High Street Cradley Heath West Midlands B64 5HW
Auditors	Clement Keys Chartered Accountants Swinford House Albion Street Brierley Hill West Midlands DY5 3EL

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

DIRECTORS' REPORT

31 December 1998

The directors present their report and the audited financial statements of the group for the period ended 31 December 1998.

Principal activity

The group's principal activities throughout the period were construction and civil engineering, industrial and residential property development.

Contract painting and decorating and property maintenance and refurbishment were discontinued on disposal of the group interest in Warley Painters Limited on 16 April 1998.

Business review and future prospects

The directors are pleased to report the fifth consecutive profit since the financial reorganisation in 1994 and look forward to the future with confidence.

The financial position at the balance sheet date is considered satisfactory.

Profit, dividends and appropriations

The results for the period are shown in the profit and loss account on page 5.

The directors do not propose payment of a dividend, the profit for the period is to be transferred to reserves.

Fixed assets

Changes in fixed assets during the period are set out in note 9 to the accounts.

Market value of land and buildings

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts

Payments to suppliers

The group agrees payments terms with its suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not have a standard or code which deals specifically with the payment of suppliers.

Trade creditor days of the company for the period ended 31 December 1998 were 28 days based on the ratio of company trade creditors at the end of the period to the amounts invoiced during the period by suppliers.

Year 2000

The directors of the parent undertaking and the group companies are committed to the efficient use of information technology and are aware of the risks in connection with the Year 2000. A program has been implemented to ensure that all operating systems are compliant. No material costs have been incurred.

continued.....

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT
(continued)**

31 December 1998

Directors and their interests

The directors serving on the board throughout the period are shown below.

J S Harper retires from the board by rotation at the Annual General Meeting and being eligible, offers himself for re-election.

The directors at 31 December 1998 had the following interests in the share capital of the company:

	At 31 December 1998				At 1 February 1998			
	Ordinary £1 shares	Deferred £1 shares	Convertible £1 A Ord shares	Convertible £1 B Ord shares	Ordinary £1 shares	Deferred £1 shares	Convertible £1 A Ord shares	Convertible £1 B Ord shares
P J Underhill	500	-	-	-	500	-	-	-
J S Harper	234	179,649	731	331	234	179,649	731	331
W P Rees	-	-	-	-	-	-	-	-
J D Harper	195	99,805	-	-	195	99,805	-	-
M W Lennock	500	-	-	-	500	-	-	-
P N Mondon	-	-	-	-	-	-	-	-
(appointed 31 December 1998)								
R L Amos	-	-	-	-	-	-	-	-
(appointed 31 December 1998)								

J D Harper resigned on 2 February 1999.

Post balance sheet events

Share capital

On 2 February 1999 the following took place:

- i) the company repurchased and cancelled 819 Ordinary Shares of £1 each out of capital and for a cash consideration of £280,000. Shares repurchased included those held at the balance sheet date by J D Harper.
- ii) the company repurchased and cancelled 748 "A" Ordinary Shares of £1 each for a cash consideration of £748. Shares repurchased included those held at the balance sheet date by J S Harper.
- iii) 331 Convertible "B" Ordinary Shares of £1 each held by J S Harper were converted to Ordinary Shares of £1 each.
- iv) P J Underhill acquired 419,181 Deferred £1 Shares including those held at the balance sheet date by J D Harper.

continued.....

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT
(continued)**

31 December 1998

Auditors

Clement Keys have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



M W Lennox
Secretary

Beeches Road
Rowley Regis
West Midlands
B65 0BD

16 April 1999

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**


STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 of the company for that period. In preparing those financial statements, 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 financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board


M W Lennox
Director

16 April 1999

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 23 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 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 of the state of the affairs of the company and the group as at 31 December 1998 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Brierley Hill
16 April 1999



Clement Keys
Chartered Accountants
Registered Auditor

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

GROUP PROFIT AND LOSS ACCOUNT

Period ended 31 December 1998

	Notes	Period ended 31 December 1998		Year ended 31 January 1998	
		£	£	£	£
Turnover	2				
Continuing operations		10,296,414		10,557,011	
Discontinued activities		764,067		2,141,749	
			11,060,481		12,698,760
Cost of sales	3		9,299,366		10,611,124
Gross profit			1,761,115		2,087,636
Administrative expenses	3	1,740,555		2,104,645	
Other operating income	3	(60,921)		(17,469)	
			1,679,634		2,087,176
Operating profit	4				
Continuing operations		83,814		12,994	
Discontinued activities		(2,333)		(12,534)	
			81,481		460
Exceptional items	5		47,583		95,615
Interest received			11,741		3,451
Interest payable	7		(74,596)		(50,778)
Profit from ordinary activities before and after taxation being profit retained for the period	16a		66,209		48,748

Movements in reserves are included in the notes to the financial statements.

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

GROUP BALANCE SHEET

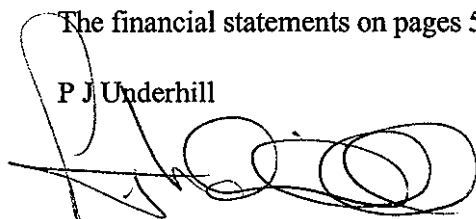
as at 31 December 1998

	Notes	Period ended 31 December 1998		Year ended 31 January 1998	
		£	£	£	£
Fixed assets					
Tangible assets	9a		671,913		660,455
Current assets					
Stock	11	962,767		1,339,453	
Debtors	12	1,096,468		1,733,717	
Cash		825,308		1,282,614	
		<u>2,884,543</u>		<u>4,355,784</u>	
Creditors: amounts falling due within one year	13	<u>(2,970,820)</u>		<u>(4,319,016)</u>	
Net current (liabilities)/assets			(86,277)		36,768
Total assets less current liabilities			<u>585,636</u>		<u>697,223</u>
Creditors: amounts falling due after more than one year	14		310,390		488,186
Capital and reserves					
Called up share capital	15	602,092		602,092	
Capital reserves	16a	494,996		497,260	
Revaluation reserve	16a	228,853		228,853	
Profit and loss account	16a	<u>(1,050,695)</u>		<u>(1,119,168)</u>	
Total shareholders' funds	16a		<u>275,246</u>		<u>209,037</u>
			<u>585,636</u>		<u>697,223</u>
Shareholders funds are attributable to:					
Equity shareholders			(324,663)		(390,872)
Non-equity shareholders			<u>599,909</u>		<u>599,909</u>
			<u>275,246</u>		<u>209,037</u>

The financial statements on pages 5 to 23 were approved by the board of directors on 16 April 1999.

P J Underhill

Director



HARPER GROUP PLC

BALANCE SHEET

as at 31 December 1998

	Notes	Period ended 31 December 1998		Year ended 31 January 1998	
		£	£	£	£
Fixed assets					
Tangible assets	9b		118,470		119,974
Investments	10		1,944,446		2,089,291
			<u>2,062,916</u>		<u>2,209,265</u>
Current assets					
Debtors	12	781,713		897,074	
Cash at bank and in hand		164,942		155,991	
		<u>946,655</u>		<u>1,053,065</u>	
Creditors: amounts falling due within one year	13	(1,934,358)		(1,910,626)	
Net current liabilities			<u>(987,703)</u>		<u>(857,561)</u>
Total assets less current liabilities			<u>1,075,213</u>		<u>1,351,704</u>
Creditors: amounts falling due after more than one year	14		225,293		404,000
Capital and reserves					
Called up share capital	15	602,092		602,092	
Other reserves	16b	117		117	
Profit and loss account	16b	247,711		345,495	
Total shareholders' funds	16b		<u>849,920</u>		<u>947,704</u>
			<u>1,075,213</u>		<u>1,351,704</u>
Shareholders fund are attributable to:					
Equity shareholders			250,011		347,795
Non-equity shareholders			599,909		599,909
			<u>849,920</u>		<u>947,704</u>

The financial statements on pages 5 to 23 were approved by the board of directors on 16 April 1999.


 P J Underhill

Director

**HARPER GROUP PLC
AND SUBSIDIARY COMPANIES**

GROUP CASH FLOW STATEMENT

Year ended 31 December 1998

	Note	Period ended 31 December 1998		Year ended 31 December 1998	
		£	£	£	£
Net cash flow from operating activities	23		981,991		119,297
Returns on investments and servicing of finance					
Interest received		11,741		3,451	
Interest paid		(63,343)		(38,582)	
Hire purchase interest		(11,253)		(12,196)	
Net servicing of finance			(62,855)		(47,327)
Capital expenditure					
Purchase of tangible fixed assets		(84,239)		(45,645)	
Sale of tangible fixed assets		18,168	(66,071)	535,006	489,361
Acquisitions and disposals					
Disposal of subsidiary undertaking			(9,941)		-
Management of liquid resources	24				
Reduction in performance bond deposits			155,991		67,005
Financing					
Repayment of secured loans		(184,000)		-	
Capital element of hire purchase payments		(69,415)	(253,415)	(81,681)	(81,681)
Increase in cash	25		745,700		546,655

Reconciliation of net cash flow to movement in net debt (Note 25)

	Period ended 31 December 1998		Year ended 31 January 1998	
	£	£	£	£
Increase in cash for the period	745,700		546,655	
Cash from decrease in liquid resources	(155,991)		(67,005)	
Cash outflow from financing	253,415		81,681	
Changes in net debt resulting from cash flows		843,124		561,331
New hire purchase contracts	(90,959)		(92,319)	
Transfer on disposal of subsidiary	27,764	(63,195)	-	(92,319)
Change in net debt		779,929		469,012
Net debt at 1 February 1998		(332,562)		(801,574)
Net funds/(debt) at 31 December 1998		447,367		(332,562)

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of certain fixed assets.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings made up to a date coterminous with the financial year end of the company. The results of subsidiary undertakings acquired or disposed of during a financial year are included in the group results as from or up to their respective date of acquisition or disposal.

The net assets of newly acquired subsidiary undertakings are incorporated into the group accounts on the basis of their fair value to the group as at the date of acquisition. Goodwill, being the excess of consideration over that fair value is written off to reserves on consolidation. The profit or loss on disposal of a subsidiary undertaking is stated after taking into account any goodwill previously written off to reserves.

As permitted by Section 230 of the Companies Act 1985 no profit and loss account is presented in respect of the parent undertaking.

Depreciation

Depreciation is provided at the following annual rates to write off the cost less the estimated residual value of the assets over their expected useful economic lives once the asset is brought into use:

Freehold buildings	2% straight line
Motor vehicles	25% reducing balance
Plant and equipment	25% reducing balance
Office equipment, fixtures and fittings	10 - 25% reducing balance

Stock

Stocks and work in progress are valued at the lower of first in first out cost, and estimated net realisable value.

Land stock is valued at the lower of cost and estimated net realisable value.

Where a contract is deemed to be a long term contract, work in progress is valued at direct cost plus the appropriate proportion of overheads and where the contract can be reliably assessed, the proportion of the expected profit earned to date. Where any contracts are expected to be unprofitable, full provision is made for anticipated losses.

HARPER GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS****for the period ended 31 December 1998****1 Accounting policies (continued)****Deferred taxation**

Deferred taxation is provided on income and expenditure dealt with for taxation purposes in periods different from those for accounts purposes to the extent that the reduction in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future.

The provision is computed under the liability method and is stated at the rate of corporation tax expected to apply when the tax becomes payable.

Leasing (and hire purchase contracts)

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Payments under an arrangement which is in substance of a rental nature (operating lease) are charged to profit and loss account on a straight line basis over the operating lease term.

Pensions

The group operates defined contribution schemes.

The assets of the schemes are held separately from those of the group in independently administered funds. Contributions payable by the group are charged to the profit and loss account in the period to which they relate.

2 Turnover

Turnover represents the net amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

3 Analysis of cost of sales and operating expenses

	Cost of sales £	Administrative expenses £	Other operating income £
December 1998			
Continuing	8,727,021	1,591,221	(60,921)
Discontinued	572,345	149,334	-
Total	9,299,366	1,740,555	(60,921)
January 1998			
Continuing	8,912,686	1,648,800	(17,469)
Discontinued	1,698,438	455,845	-
Total	10,611,124	2,104,645	(17,469)

4 Operating profit

	31 December 1998 £	31 January 1998 £
Operating profit is stated after charging/(crediting)		
Depreciation		
Owned assets	45,010	33,142
Assets held under hire purchase contracts	44,246	60,694
Operating lease rentals - plant and machinery	59,769	83,630
- property	12,587	-
Auditors' remuneration - audit services	15,000	18,000
- other services	10,000	10,000
Rent receivable	(18,730)	(17,469)

5 Exceptional items

	31 December 1998 £	31 January 1998 £
Profit on sale of fixed assets in continuing operations	7,746	95,615
Profit on disposal of subsidiaries (discontinued)	39,837	-
	47,583	95,615

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

6 Directors and employees

	31 December 1998	31 January 1998
	£	£
Staff costs		
Wages and salaries	2,174,936	2,061,987
Social security costs	166,239	189,325
Pension costs	47,975	43,684
	<u>2,389,150</u>	<u>2,294,996</u>
Average number of employees by category	No	No
Administration and selling	31	32
Works	108	113
	<u>139</u>	<u>145</u>
Directors' remuneration	£	£
Emoluments	80,195	147,019
Company contributions to money purchase benefit schemes	6,456	8,010
	<u>86,651</u>	<u>155,029</u>

Retirement benefits are accruing to six directors under the money purchase benefit schemes operated by the parent undertaking.

7 Interest payable and similar charges

	31 December 1998	31 January 1998
	£	£
On bank loans, overdrafts and other loans		
wholly repayable within 5 years - continued	59,585	38,582
- discontinued	3,758	-
On hire purchase contracts	11,253	12,196
	<u>74,596</u>	<u>50,778</u>

8 Taxation

Group companies have tax losses available for offset use in future accounting periods of approximately £2,000,000.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

9a Tangible fixed assets - Group

	Freehold land and buildings £	Motor vehicles £	Plant and equipment £	Office equipment, fixtures and fittings £	Total £
Cost or valuation					
At 1 February 1998	351,878	537,741	267,450	254,161	1,411,230
Additions	35,782	76,850	27,298	35,268	175,198
Disposals	-	(39,615)	(38,350)	(1,200)	(79,165)
Disposal of subsidiary	-	(216,250)	(32,775)	(3,829)	(252,854)
At 31 December 1998	387,660	358,726	223,623	284,400	1,254,409
Depreciation					
At 1 February 1998	37,309	343,511	223,408	146,547	750,775
Charged in period	6,363	39,771	15,304	27,819	89,257
Disposals	-	(31,308)	(36,685)	(750)	(68,743)
Disposal of subsidiary	-	(157,640)	(28,867)	(2,286)	(188,793)
At 31 December 1998	43,672	194,334	173,160	171,330	582,496
Net book value					
At 31 December end	343,988	164,392	50,463	113,070	671,913
At 31 January start	314,569	194,230	44,042	107,614	660,455

The net book value of tangible fixed assets of £671,913 (January 1998 £660,455) includes £269,310 (January 1998 £223,291) in respect of assets held under hire purchase contracts.

Cost or valuation at 31 December 1998 is represented by:

	Freehold land and buildings £	Motor vehicles £	Plant and equipment £	Office equipment, fixtures and fittings £	Total £
Valuation in 1988	267,000	-	-	-	267,000
Cost	120,660	358,726	223,623	284,400	987,409
	387,660	358,726	223,623	284,400	1,254,409

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

9a Tangible fixed assets - Group (continued)

On a historical cost basis freehold land and buildings would have been included at:

	31 December 1998 £	31 January 1998 £
Cost	158,807	123,025
Depreciation	19,603	17,143
Net book value	<u>139,204</u>	<u>105,882</u>

9b Tangible fixed assets - parent undertaking

	Motor vehicles £	Fixtures and fittings £	Freehold property £	Total £
Cost				
At 1 February 1998	17,266	85,211	81,321	183,798
Additions	-	14,300	-	14,300
At 31 December 1998	<u>17,266</u>	<u>99,511</u>	<u>81,321</u>	<u>198,098</u>
Depreciation				
At 1 February 1998	1,798	49,522	12,504	63,824
Charge for period	3,545	10,653	1,606	15,804
At 31 December 1998	<u>5,343</u>	<u>60,175</u>	<u>14,110</u>	<u>79,628</u>
Net book value				
At 31 December 1998	<u>11,923</u>	<u>39,336</u>	<u>67,211</u>	<u>118,470</u>
At 1 February 1998	<u>15,468</u>	<u>35,689</u>	<u>68,817</u>	<u>119,974</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

10 Fixed asset investments

Cost	Company £
At 1 February 1998	2,089,291
Disposal	(144,845)
At 31 December 1998	<u>1,944,446</u>

The parent undertaking owns the whole of the issued share capital of the following undertakings, all registered in England and Wales.

Company	Activity
Harper Group Construction Limited	Civil engineering and construction
J Harper & Sons (Leominster) Limited	Civil engineering and construction
Harper Group Development Limited	Property developers

On 16 April 1998 the parent undertaking sold its interest in Warley Painters Limited for a cash consideration of £40,000. (See Note 24)

On 31 December 1998, the following companies were wholly owned subsidiaries of Harper Group Construction Limited and registered in England and Wales.

Company	Activity
Harper Homes Limited	Housing developers
Harper Design and Build Limited	Design and build
Harper Industrial Developments Limited	Industrial developers
J Harper & Sons (Anglia) Limited	Dormant
J Harper & Sons (Blackheath) Limited	Dormant

During the period the directors decided that Harper Housing Limited, a dormant company was no longer required and an application was made to have it removed from the register. In consequence the subsidiary is treated as a disposal in the period.

11 Stock and work in progress

	Group		Company	
	31 December 1998 £	31 January 1998 £	31 December 1998 £	31 January 1998 £
Work in progress	14,380,693	18,388,700	-	-
Progress payments received	(13,425,621)	(17,073,992)	-	-
	<u>955,072</u>	<u>1,314,708</u>	<u>-</u>	<u>-</u>
Stock	7,695	24,745	-	-
	<u>962,767</u>	<u>1,339,453</u>	<u>-</u>	<u>-</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

12 Debtors

	Group		Company	
	31 December	31 January	31 December	31 January
	1998	1998	1998	1998
	£	£	£	£
Amounts falling due within one year				
Trade debtors	835,846	1,352,427	8,301	44,261
Amounts owed by group companies	-	-	572,726	782,655
Other debtors	160,693	276,678	138,334	55,505
Prepayments	47,929	92,612	10,352	2,653
	<u>1,044,468</u>	<u>1,721,717</u>	<u>729,713</u>	<u>885,074</u>
Due in more than one year				
Other debtors	40,000	-	40,000	-
Advance corporation tax recoverable	12,000	12,000	12,000	12,000
	<u>1,096,468</u>	<u>1,733,717</u>	<u>781,713</u>	<u>897,074</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	31 December	31 January	31 December	31 January
	1998	1998	1998	1998
	£	£	£	£
Bank overdrafts	-	1,047,015	-	721,789
Trade creditors	2,548,140	2,491,039	20,147	22,174
Amounts owed to group companies	-	-	1,785,733	1,036,690
Other creditors	67,932	138,301	13,260	12,773
Other taxation and social security	78,902	284,922	35,265	64,845
Accruals	208,295	277,764	76,217	52,355
Obligations under hire purchase contracts	67,551	79,975	3,736	-
	<u>2,970,820</u>	<u>4,319,016</u>	<u>1,934,358</u>	<u>1,910,626</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

- 14 **Creditors:** amounts falling due after more than one year

	Group		Company	
	31 December 1998	31 January 1998	31 December 1998	31 January 1998
	£	£	£	£
Harper Group Pension Fund	220,000	220,000	220,000	220,000
Directors' loans	-	104,000	-	104,000
Bank loans	-	80,000	-	80,000
Obligations under hire purchase contracts	90,390	84,186	5,293	-
	<u>310,390</u>	<u>488,186</u>	<u>225,293</u>	<u>404,000</u>

The loan from the Trustees of the Harper Group Plc Retirement Benefit Scheme is repayable upon notice of 367 days being given and interest is charged at a commercial rate.

- 15 **Share capital**

	31 December 1998		31 January 1998	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary Shares of £1 each	2,300	2,300	2,300	2,300
Deferred £1 Shares	598,830	598,830	598,830	598,830
Convertible £1 "A" Ordinary Shares	748	748	748	748
Convertible £1 "B" Ordinary Shares	331	331	331	331
	<u>602,209</u>	<u>602,209</u>	<u>602,209</u>	<u>602,209</u>
Allotted, called up and fully paid				
Equity share capital				
Ordinary shares of £1 each	2,183	2,183	2,183	2,183
Non Equity share capital				
Deferred £1 Shares	598,830	598,830	598,830	598,830
Convertible £1 "A" Ordinary Shares	748	748	748	748
Convertible £1 "B" Ordinary Shares	331	331	331	331
	<u>602,092</u>	<u>602,092</u>	<u>602,092</u>	<u>602,092</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

15 Share capital (continued)

The Deferred £1 Shares, the Convertible £1 "A" Ordinary Shares and Convertible £1 "B" Ordinary Shares are entitled to an aggregate cash dividend of £1 in a period only after a dividend of not less than £10,000,000 has been distributed to holders of Ordinary £1 Shares.

On a return of assets on liquidation, these non-equity shareholders would be entitled to receive the sum of 1p per share subject to the holders of the ordinary shares first having received the sum of £1,000 per ordinary share.

The non-equity shareholders have no rights to receive notice of or attend or vote at General Meetings of the Company.

16a Movements in shareholders' funds - Group

	Called up share capital £	Capital reserve £	Capital redemption reserve fund £	Revaluation reserve £	Profit and loss account £	Total £
At 1 February 1998	602,092	497,143	117	228,853	(1,119,168)	209,037
Transfer on disposal of subsidiary undertaking	-	(2,264)	-	-	2,264	-
Profit for the period	-	-	-	-	66,209	66,209
At 31 December 1998	<u>602,092</u>	<u>494,879</u>	<u>117</u>	<u>228,853</u>	<u>(1,050,695)</u>	<u>275,246</u>

16b Movement in shareholders' funds - Company

	Called up share capital £	Capital redemption reserve fund £	Profit and loss account £	Total £
At 1 February 1998	602,092	117	345,495	947,704
Loss for the period	-	-	(97,784)	(97,784)
At 31 December 1998	<u>602,092</u>	<u>117</u>	<u>247,711</u>	<u>849,920</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

17 Contingent liabilities

Harper Group Plc is party to unlimited guarantees and cross guarantees with other group companies to secure loan and overdraft facilities. At 31 December 1998 this amounted to £Nil (January 1998 £325,226).

18 Deferred tax

	31 December		Accounts provision	
	1998	1998	31 January	1998
	£	£	£	£
Potential liability for sale of assets at their revalued amount	45,000	81,500	-	-

19 Capital commitments

	31 December	31 January
	1998	1998
	£	£
Contracted but not provided	Nil	Nil
Authorised but not contracted	Nil	Nil

20 Other financial commitments

	31 December		31 January
	1998		1998
	Property	Plant	Plant
	£	and other	and other
	£	£	£
Operating leases - annual commitments			
Leases expiring			
within one year	-	3,561	10,761
in two to five years	35,800	100,483	53,286
	35,800	104,044	64,047

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

21 Related party transactions**a) Directors interests in material contracts**

P J Underhill and J S Harper are directors of and have beneficial interests in Beeches Two Plc.

Harper Group Construction Limited has entered into contracts with Beeches Two Plc as follows:

- i) for the construction of 5 houses at Twatling Road, Barnt Green for a sum of £749,791.
- ii) for the construction of 22 houses at Brades Road, Oldbury for a contract sum of £856,013.
- iii) for the construction of 3 houses at Hagley Road, Pedmore for a contract sum of £508,950.
- iv) for the construction of 6 houses at Inkberrow for a contract sum of £511,779.

J Harper & Sons (Leominster) Limited carried out work to a total value of £232,054 for Beeches Two Plc during the period under review.

Harper Group Developments Limited charged administration fees to Beeches Two Plc amounting to £82,500 in the period under review.

P J Underhill is a director of and has beneficial interests in Beeches Three Limited and Beeches Four Limited.

Harper Group Construction Limited has entered into a contract with Beeches Three Limited for the construction of 19 houses at Malvern for contract sum of £1,045,000.

Harper Group Construction Limited has entered into a contract with Beeches Four Limited for the construction of flats and houses at Coalbrookdale for a contract sum of £440,000.

At the balance sheet date the following amounts are included in debtors:

	Beeches Two Plc	Beeches Three Limited
	£	£
Harper Group Development Limited	54,880	18,598
J Harper & Sons (Leominster) Limited	2,350	-
	<hr/>	<hr/>
	57,230	18,598
	<hr/>	<hr/>

M W Lennox is a director of and M W Lennox and P J Underhill have beneficial interests in Beeches Construction Group Limited, the parent undertaking of Warley Painters Limited. M W Lennox is a director of Warley Painters Limited.

During the period under review the purchases by group companies from Warley Painters Limited amounted to £169,946.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

21 Related party transactions (continued)

Harper Group Developments Limited charged administration fees to Warley Painters Limited in the period under review amounting to £3,585.

Other debtors (Note 12) includes amounts due from Warley Painters Limited as follows:

	£
Due within one year	90,000
Due after more than one year	40,000
	<u>130,000</u>

The sum due is interest free if repaid in accordance with agreed terms. Otherwise, the balance carries interest at 3% above Barclays Bank Plc base rate.

P J Underhill, J S Harper and M W Lennock are members and trustees of the Harper Group Plc Group directors pension plan. J Harper & Sons (Leominster) Limited occupies property owned by the scheme. Rent paid in the year amounted to £12,587.

P J Underhill and M W Lennock received interest on directors loans to the company in the period under review amounting to £23,273 and £11,637 respectively. This has been paid in accordance with loan agreements at 3% above base rate.

b) Amounts due from directors to subsidiary undertakings:

	At 31 December 1998	Highest balance during period
In trade debtors	£	£
J S Harper	-	1,149

22 Post balance sheet events**Share capital**

On 2 February 1999 the following took place:

- i) the company repurchased and cancelled 819 Ordinary Shares of £1 each out of capital and for a cash consideration of £280,000. Shares repurchased included those held at the balance sheet date by J D Harper.
- ii) the company repurchased and cancelled 748 "A" Ordinary Shares of £1 each for a cash consideration of £748. Shares repurchased included those held at the balance sheet date by J S Harper.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

22 Post balance sheet events (continued)

Share capital (continued)

- iii) 331 Convertible "B" Ordinary Shares of £1 each held by J S Harper were converted to Ordinary Shares of £1 each.
- iv) P J Underhill acquired 419,181 Deferred £1 Shares including those held at the balance sheet date by J D Harper.

23 Net cash flow from operating activities

	31 December 1998 £	31 January 1998 £
Operating profit	81,481	460
Depreciation of tangible fixed assets	89,256	93,836
Decrease in stock and work in progress	53,100	274,000
Decrease/(Increase) in debtors	76,529	(749,574)
Increase in creditors	681,625	500,575
Net cash flow from operating activities	981,991	119,297

24 Disposal of subsidiary undertakings

During the period the Group sold its interest in Warley Painters Limited (See Note 10). In addition, the directors decided that Harper Housing Limited, a dormant company was no longer required and an application was made to have it removed from the register.

The effects of the disposals are as follows: £

Net assets disposed of

Tangible fixed assets	64,061
Net current liabilities	(86,075)
Bank	49,941
Hire purchase borrowings	(27,764)
	<hr/>
	163
Cash consideration	40,000
	<hr/>
Profit on sale	39,837
	<hr/>

Warley Painters Limited contributed £22,296 to the group's net operating cash flows, paid £3,758 in respect of servicing of finance and £9,192 in respect of the capital element of hire purchase payments.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 1998

25 Analysis of changes in net debt

	31 December 1998 £	Cashflows £	Other changes £	31 January 1998 £
Cash at bank and in hand	825,308	(301,315)	-	1,126,623
Bank overdrafts	-	1,047,015	-	(1,047,015)
		<u>745,700</u>		
Debt due after one year	(220,000)	184,000	-	(404,000)
Hire purchase contracts	(157,941)	69,415	(63,195)	(164,161)
Deposits	-	(155,991)	-	155,991
	<u>447,367</u>	<u>843,124</u>	<u>(63,195)</u>	<u>(332,562)</u>