

Company Registration No. 1854872 (England and Wales)

HARPER GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1999

Clement Keys
CHARTERED ACCOUNTANTS



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COMPANIES HOUSE 27/07/00

HARPER GROUP PLC

DIRECTORS AND ADVISERS

Directors	R L Amos J D Harper J S Harper M W Lennock P N Mondon W P Rees P J Underhill
Secretary	K T Taylor
Company number	1854872
Registered office	Beeches Road Rowley Regis West Midlands B65 0BB
Registered auditors	Clement Keys Swinford House, Albion Street Brierley Hill West Midlands DY5 3EL
Business address	Beeches Road Rowley Regis West Midlands B65 0BB
Bankers	Barclays Bank Plc PO Box 9 Dudley West Midlands DY1 1PP
Solicitors	George Green & Co 195 High Street Cradley Heath West Midlands B64 5HW

HARPER GROUP PLC

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HARPER GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their report and financial statements for the year ended 31 December 1999.

Directors

The following directors have held office since 1 January 1999:

R L Amos	
J D Harper	(Resigned 2 February 1999)
J S Harper	
M W Lennock	
P N Mondon	
W P Rees	
P J Underhill	

Principal activities and review of the business

The principal activity of the group continued to be that of construction and civil engineering, industrial and residential property development.

The directors are pleased to report the sixth 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.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

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.

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 1999	1 January 1999
R L Amos	-	-
J S Harper	550	234
M W Lennock	500	500
P N Mondon	45	-
W P Rees	-	-
P J Underhill	500	500

	Deferred £1 shares of £ 1 each	
	31 December 1999	1 January 1999
R L Amos	-	-
J S Harper	179,649	179,649
M W Lennock	-	-
P N Mondon	-	-
W P Rees	-	-
P J Underhill	419,181	-

HARPER GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

	Convertible £1 "A" ordinary shares of £ 1 each	
	31 December 1999	1 January 1999
R L Amos	-	-
J S Harper	-	731
M W Lennock	-	-
P N Mondon	-	-
W P Rees	-	-
P J Underhill	-	-

	Convertible £1 "B" ordinary shares of £ 1 each	
	31 December 1999	1 January 1999
R L Amos	-	-
J S Harper	-	331
M W Lennock	-	-
P N Mondon	-	-
W P Rees	-	-
P J Underhill	-	-

None of the directors held any beneficial interest in the share capital of other group companies.

Purchase of own shares

On 2 February 1999 the following took place:

- the company repurchased and cancelled 819 ordinary shares of £1 each out of capital for a cash consideration of £280,000. Shares repurchased included those held at 31 December 1998 by J D Harper.
- the company repurchased and cancelled 748 "A" ordinary shares of £1 each for a cash consideration of £748. Shares repurchased included those held at 31 December 1998 by J D Harper.
- 331 Convertible "B" ordinary shares of £1 each held by J S Harper were converted to ordinary shares of £1 each.
- P J Underhill acquired 419,181 Deferred £1 shares including those held at 31 December 1998 by J D Harper.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 33 (1998 - 28) days' purchases.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Clement Keys be reappointed as auditors of the company will be put to the Annual General Meeting.

HARPER GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

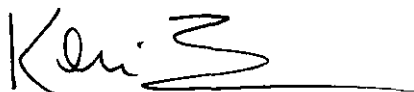
Directors' responsibilities

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 of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



K T Taylor

Secretary

27 April 2000

HARPER GROUP PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF HARPER GROUP PLC

We have audited the financial statements on pages 5 to 25 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's 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 company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 company's and the group's affairs as at 31 December 1999 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Clement Keys

Chartered Accountants
Registered Auditor

27 April 2000

Swinford House, Albion Street
Brierley Hill
West Midlands
DY5 3EL

HARPER GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £	1998 £
Turnover	2		
Continuing operations		14,017,742	10,296,414
Discontinued activities		-	764,067
		<u>14,017,742</u>	<u>11,060,481</u>
Cost of sales	3	(12,102,869)	(9,299,366)
		<u>1,914,873</u>	<u>1,761,115</u>
Gross profit			
Administrative expenses	3	(1,842,965)	(1,740,555)
Other operating income		27,925	60,921
		<u>99,833</u>	<u>81,481</u>
Operating profit	4		
Continuing operations		99,833	39,093
Discontinued activities		-	42,388
		<u>99,833</u>	<u>81,481</u>
Profit on sale of fixed assets	4	-	7,746
Profit on disposal of subsidiary	4	-	39,837
		<u>99,833</u>	<u>129,064</u>
Profit on ordinary activities before interest			
Other interest receivable and similar income		15,828	11,741
Interest payable and similar charges	5	(32,100)	(74,596)
		<u>83,561</u>	<u>66,209</u>
Profit on ordinary activities before taxation			
Tax on profit on ordinary activities	6	-	-
		<u>83,561</u>	<u>66,209</u>
Profit on ordinary activities after taxation			
		<u>83,561</u>	<u>66,209</u>

There are no recognised gains and losses other than those passing through the profit and loss account.

HARPER GROUP PLC

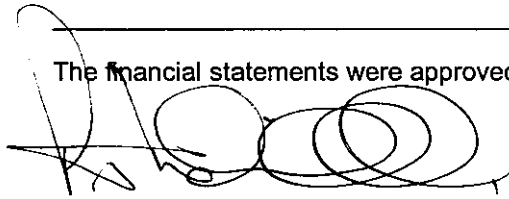
BALANCE SHEETS AS AT 31 DECEMBER 1999

	Notes	Group 1999 £	1998 £	Company 1999 £	1998 £
Fixed assets					
Tangible assets	8	649,094	671,912	97,666	118,470
Investments	9	-	-	1,932,154	1,944,446
		<u>649,094</u>	<u>671,912</u>	<u>2,029,820</u>	<u>2,062,916</u>
Current assets					
Stocks	10	1,474,989	962,767	-	-
Debtors	11	642,188	1,096,469	350,051	781,713
Cash at bank and in hand		1,244,991	825,497	20,978	164,942
		<u>3,362,168</u>	<u>2,884,733</u>	<u>371,029</u>	<u>946,655</u>
Creditors: amounts falling due within one year	12	(3,887,274)	(2,971,009)	(1,140,885)	(1,934,358)
Net current liabilities		<u>(525,106)</u>	<u>(86,276)</u>	<u>(769,856)</u>	<u>(987,703)</u>
Total assets less current liabilities		<u>123,988</u>	<u>585,636</u>	<u>1,259,964</u>	<u>1,075,213</u>
Creditors: amounts falling due after more than one year	13	(45,929)	(310,390)	(6,549)	(225,293)
		<u>78,059</u>	<u>275,246</u>	<u>1,253,415</u>	<u>849,920</u>
Capital and reserves					
Called up share capital	15	600,525	602,092	600,525	602,092
Revaluation reserve	16	228,853	228,853	-	-
Other reserves	16	496,563	494,996	1,684	117
Profit and loss account	16	(1,247,882)	(1,050,695)	651,206	247,711
	17	<u>78,059</u>	<u>275,246</u>	<u>1,253,415</u>	<u>849,920</u>
Equity interests		<u>(521,850)</u>	<u>(324,663)</u>	<u>653,506</u>	<u>250,011</u>
Non-equity interests		<u>599,909</u>	<u>599,909</u>	<u>599,909</u>	<u>599,909</u>
		<u>78,059</u>	<u>275,246</u>	<u>1,253,415</u>	<u>849,920</u>

HARPER GROUP PLC

BALANCE SHEETS AS AT 31 DECEMBER 1999

The financial statements were approved by the board on 27 April 2000

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

P J Underhill
Director

HARPER GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

		1999 £	1998 £
Net cash inflow from operating activities (Note1)		875,076	981,991
Interest received	15,828	11,741	
Interest paid	(32,100)	(74,596)	
Net cash outflow for returns on investments and servicing of finance		(16,272)	(62,855)
Payments to acquire tangible assets	(77,049)	(84,239)	
Receipts from sales of tangible assets	44,060	18,168	
Net cash outflow for capital expenditure		(32,989)	(66,071)
Sale of subsidiary undertakings (net of cash acquired)		-	(9,941)
Net cash inflow before management of liquid resources and financing		825,815	843,124
Reduction in performance bond deposits		-	155,991
Purchase of own shares	(280,748)	-	
Other new long term loans	4,993	-	
Repayment of other long term loans	(70,000)	(184,000)	
Capital element of hire purchase contracts	(60,566)	(69,415)	
Net cash outflow from financing		(406,321)	(253,415)
Increase in cash in the year (Note 2)		419,494	745,700

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

1	Reconciliation of operating profit to net cash outflow from operating activities	1999	1998
		£	£
	Operating profit	99,833	81,481
	Depreciation of tangible assets	95,355	89,256
	Profit on disposal of tangible assets	(4,065)	-
	(Increase)/decrease in stocks	(512,222)	53,100
	Decrease in debtors	454,281	76,529
	Increase/(decrease) in creditors within one year	741,894	681,625
	Net cash inflow from operating activities	875,076	981,991

2	Analysis of net funds	1 January 1999	Cash flow	Other non-cash changes	31 December 1999
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	825,497	419,494		1,244,991
	Bank overdrafts	(189)	-		(189)
		<u>825,308</u>	<u>419,494</u>		<u>1,244,802</u>
	Debt:				
	Finance leases	(157,941)	60,566	(35,483)	(132,858)
	Debts falling due within one year	-	(150,000)	-	(150,000)
	Debts falling due after one year	(220,000)	215,007	-	(4,993)
		<u>(377,941)</u>	<u>125,573</u>	<u>(35,483)</u>	<u>(287,851)</u>
	Net funds	447,367	545,067	(35,483)	956,951

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

3	Reconciliation of net cash flow to movement in net debt	1999	1998
		£	£
	Increase in cash in the year	419,494	745,700
	Cash outflow from increase in liquid resources	-	(155,991)
	Cash outflow from decrease in debt	125,573	253,415
	Change in net debt resulting from cash flows	545,067	843,124
	New finance lease	(35,483)	(63,195)
	Movement in net funds in the year	509,584	779,929
	Opening net funds	447,367	(332,562)
	Closing net funds	956,951	447,367

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 1999. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

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

1.3 Turnover and profits

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% on buildings element
Plant and machinery	25% reducing balance
Fixtures, fittings & equipment	25% reducing balance
Motor vehicles	25% reducing balance

1.6 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stock and work in progress

Stock is valued at the lower of cost and net realisable value.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

1 Accounting policies

1.9 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.11 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Cost of sales and net operating expenses

	1999			1998		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Cost of sales	12,102,869	-	12,102,869	8,727,021	572,345	9,299,366
Administrative expenses	1,842,965	-	1,842,965	1,591,221	149,334	1,740,555
Other operating income	(27,925)	-	(27,925)	(60,921)	-	(60,921)
	<u>13,917,909</u>	<u>-</u>	<u>13,917,909</u>	<u>10,257,321</u>	<u>721,679</u>	<u>10,979,000</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

4	Operating profit	1999 £	1998 £
	Operating profit is stated after charging:		
	Depreciation of tangible assets	95,355	89,256
	Operating lease rentals	148,358	72,356
	Auditors' remuneration	15,000	15,000
	Remuneration of auditors for non-audit work	7,000	10,000
	and after crediting:		
	Rents receivable	21,925	18,730

5	Interest payable	1999 £	1998 £
	On bank loans and overdrafts	2,769	5,894
	On other loans wholly repayable within 5 years	13,948	57,449
	Lease finance charges	15,383	11,253
		32,100	74,596

6 Taxation

The company has estimated losses of £2,000,000 (1998 - £2,000,000) available for carry forward against future trading profits.

7 Profit/(loss) for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	1999 £	1998 £
Holding company's profit/(loss) for the financial year	684,243	(97,784)

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

8 Tangible fixed assets Group

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 1999	393,981	216,274	270,380	358,726	1,239,361
Additions	-	37,492	32,382	42,658	112,532
Disposals	-	(54,438)	(11,030)	(49,616)	(115,084)
At 31 December 1999	393,981	199,328	291,732	351,768	1,236,809
Depreciation					
At 1 January 1999	43,672	165,813	163,632	194,332	567,449
On disposals	-	(41,779)	(2,180)	(31,130)	(75,089)
Charge for the year	6,509	13,156	30,836	44,854	95,355
At 31 December 1999	50,181	137,190	192,288	208,056	587,715
Net book value					
At 31 December 1999	343,800	62,138	99,444	143,712	649,094
At 31 December 1998	350,309	50,461	106,747	164,395	671,912

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 1999 & at 31 December 1999	38,147
Depreciation based on cost	
At 1 January 1999	24,831
Charge for the year	763
At 31 December 1999	25,594
Net book value	
At 31 December 1999	12,553
At 31 December 1998	13,316

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 December 1999	14,471	23,251	152,431	190,153
At 31 December 1998	19,294	31,002	153,399	203,695
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation charge for the year				
31 December 1999	4,101	7,725	41,554	53,380
31 December 1998	2,823	8,866	32,593	44,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

8 Tangible fixed assets (continued) Company

	Land and buildings Freehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 1999	81,321	99,511	17,266	198,098
Additions	-	3,255	-	3,255
Disposals	-	-	(17,266)	(17,266)
At 31 December 1999	81,321	102,766	-	184,087
Depreciation				
At 1 January 1999	14,110	60,175	5,343	79,628
On disposals	-	-	(6,585)	(6,585)
Charge for the year	1,752	10,384	1,242	13,378
At 31 December 1999	15,862	70,559	-	86,421
Net book value				
At 31 December 1999	65,459	32,207	-	97,666
At 31 December 1998	67,211	39,336	11,923	118,470

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£
Net book values			
At 31 December 1999	8,067	-	8,067
At 31 December 1998	10,756	-	10,756
Depreciation charge for the year			
31 December 1999	2,689	-	2,689
31 December 1998	2,151	-	2,151

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

9 Fixed asset investments Company

	Shares in subsidiary undertakings £
Cost	
At 1 January 1999 & at 31 December 1999	1,944,446
Provisions for diminution in value	
At 1 January 1999	-
Charge for the year	12,292
At 31 December 1999	12,292
Net book value	
At 31 December 1999	1,932,154
At 31 December 1998	1,944,446

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Harper Group Construction Limited	England & Wales	Ordinary	100
J Harper & Sons (Leominster) Limited	England & Wales	Ordinary	100
Harper Group Developments Limited	England & Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Harper Group Construction Limited	Civil engineering, construction & property development
J Harper & Sons (Leominster) Limited	Civil engineering and construction
Harper Group Developments Limited	Dormant

At 31 December 1999 Harper Homes Limited, Harper Design and Build Limited, Harper Industrial Developments Limited, Harper Group Management Services Limited and J Harper & Sons (Blackheath) Limited were dormant subsidiaries of Harper Group Construction Limited. All of the companies are registered in England and Wales.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

10 Stocks

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Long term contract balances:				
- Net cost less foreseeable losses	14,085,004	14,380,693	-	-
- Payments on account	(12,617,513)	(13,425,621)	-	-
General stock	7,498	7,695	-	-
	<u>1,474,989</u>	<u>962,767</u>	<u>-</u>	<u>-</u>

11 Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	410,914	835,847	20,711	8,301
Amounts owed by group undertakings	-	-	241,761	572,726
ACT recoverable	12,000	12,000	12,000	12,000
Other debtors	150,076	200,693	69,110	178,334
Prepayments and accrued income	69,198	47,929	6,469	10,352
	<u>642,188</u>	<u>1,096,469</u>	<u>350,051</u>	<u>781,713</u>

Amounts falling due after more than one year and included in the debtors above are:

	1999	1998	1999	1998
	£	£	£	£
Other debtors	-	40,000	-	-
ACT recoverable	12,000	12,000	-	-
	<u>12,000</u>	<u>52,000</u>	<u>-</u>	<u>-</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

12 Creditors : amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdrafts	189	189	-	-
Net obligations under finance lease and hire purchase contracts	91,922	67,551	3,736	3,736
Trade creditors	3,304,817	2,548,140	19,685	20,147
Amounts owed to group undertakings	-	-	846,504	1,785,733
Taxes and social security costs	95,202	78,902	53,014	35,265
Other creditors	283,623	67,932	206,439	13,260
Accruals and deferred income	111,521	208,295	11,507	76,217
	<u>3,887,274</u>	<u>2,971,009</u>	<u>1,140,885</u>	<u>1,934,358</u>

Other creditors include a loan of £150,000 from the Trustees of the Harper Group Plc Retirement Benefit Scheme which is repayable upon notice of 367 days being given. Interest is charged at a commercial rate. The directors intend to repay the loan in full prior to 31 December 2000.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

13 Creditors : amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Other loans	4,993	220,000	4,993	220,000
Net obligations under finance leases and hire purchase agreements	40,936	90,390	1,556	5,293
	<u>45,929</u>	<u>310,390</u>	<u>6,549</u>	<u>225,293</u>
Analysis of loans				
Wholly repayable within five years	154,993	220,000	154,993	220,000
Included in current liabilities	(150,000)	-	(150,000)	-
	<u>4,993</u>	<u>220,000</u>	<u>4,993</u>	<u>220,000</u>
Between one and two years	<u>4,993</u>	<u>220,000</u>	<u>4,993</u>	<u>220,000</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	91,922	67,551	3,736	3,736
Repayable between one and five years	40,936	90,390	1,556	5,293
	<u>132,858</u>	<u>157,941</u>	<u>5,292</u>	<u>9,029</u>
Included in liabilities falling due within one year	(91,922)	(67,551)	(3,736)	(3,736)
	<u>40,936</u>	<u>90,390</u>	<u>1,556</u>	<u>5,293</u>

14 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £53,687 (1998 - £47,975).

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

15 Share capital	1999 £	1998 £
Authorised		
2,300 Ordinary shares of £ 1 each	2,300	2,300
598,830 Deferred shares of £ 1 each	598,830	598,830
748 Convertible £1 "A" shares of £ 1 each	748	748
331 Convertible £1 "B" shares of £ 1 each	331	331
	<u>602,209</u>	<u>602,209</u>
 Allotted, called up and fully paid		
1,695 Ordinary shares of £ 1 each	1,695	2,183
598,830 Deferred shares of £ 1 each	598,830	598,830
- Convertible £1 "A" shares of £ 1 each	-	748
- Convertible £1 "B" shares of £ 1 each	-	331
	<u>600,525</u>	<u>602,092</u>

On 2 February 1999 the following transactions took place:

a) 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 31 December 1998 by J D Harper.

b) the company repurchased and cancelled 748 "A" ordinary shares of £1 each for a cash consideration of £748. Shares repurchased included those held at 31 December 1998 by J S Harper.

c) 331 Convertible "B" Ordinary shares of £1 each held by J S Harper were converted to ordinary shares of £1 each.

d) P J UNDERhill acquired 419,181 Deferred £1 Shares including those held at 31 December 1998 by J D Harper.

The Deferred £1 shares and the Convertible 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 the £1 ordinary 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 share.

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

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

16 Statement of movements on reserves Group

	Revaluation reserve £	Other reserves £	Profit and loss account £
Balance at 1 January 1999	228,853	494,996	(1,050,695)
Retained profit for the year	-	-	83,561
Purchase of own shares	-	-	(280,748)
Movement during the year	-	1,567	-
Balance at 31 December 1999	228,853	496,563	(1,247,882)

Company

	Other reserves £	Profit and loss account £
Balance at 1 January 1999	117	247,711
Retained profit for the year	-	684,243
Purchase of own shares	-	(280,748)
Movement during the year	1,567	-
Balance at 31 December 1999	1,684	651,206

17 Reconciliation of movements in shareholders' funds Group

	1999 £	1998 £
Profit for the financial year	83,561	66,209
Purchase of own shares	(280,748)	-
Opening shareholders' funds	275,246	209,037
Closing shareholders' funds	78,059	275,246

Company

	1999 £	1998 £
Profit/(Loss) for the financial year	684,243	(97,784)
Purchase of own shares	(280,748)	-
Opening shareholders' funds	849,920	947,704
Closing shareholders' funds	1,253,415	849,920

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

18 Contingent liabilities

Group

Harper Group Plc is party to unlimited guarantees and cross guarantees with other group companies to secure overdraft facilities. At 31 December 1999 the amount owing was £Nil (1998 £Nil).

Company

Harper Group Plc has guaranteed the repayment of amounts owed by subsidiary undertakings to Harper Group Construction Limited. The total amount owing at 31 December 1999 was £614,344.

19 Financial commitments

At 31 December 1999 the group had annual commitments under non-cancellable operating leases as follows:

	Other 1999 £	1998 £
Expiry date:		
Within one year	8,268	7,122
Between two and five years	109,070	195,766
	<u>117,338</u>	<u>202,888</u>

20 Directors' emoluments

	1999 £	1998 £
Emoluments for qualifying services	46,116	80,195
Company pension contributions to money purchase schemes	2,534	6,456
	<u>48,650</u>	<u>86,651</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Administration and selling	41	31
Works	124	108
	<u>165</u>	<u>139</u>

Employment costs

	£	£
Wages and salaries	2,769,233	2,174,936
Social security costs	241,016	166,239
Other pension costs	53,687	47,975
	<u>3,063,936</u>	<u>2,389,150</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

22 Related party transactions

Group

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

Harper Group Construction Limited has received £90,000 during the year from Beeches Two Plc in respect of administrative expenses.

On 28 February 1998 Beeches Two Plc purchased development land at Norton, Presteigne from Harper Group Plc for £200,000. On the same date a 'Put Option' Agreement was entered into giving Beeches Two Plc the right to sell back to Harper Group Plc any undeveloped plots of land at the site at any time between 31 December 1999 and 30 June 2000. The price to be based on the cost of the site plus a fair proportion of any infrastructure costs incurred.

The group has entered into the following contracts with Beeches Two Plc:

- a) A contract with Harper Group Construction Limited for the construction of 3 houses at Hagley Road, Pedmore, for a contract sum of £508,950.
- b) A contract with J Harper & Sons (Leominster) Limited for the construction of infrastructure works at Norton, Presteigne for a contract sum of £376,000.
- c) A contract with J Harper & Sons (Leominster) Limited for the construction of 14 houses at Norton, Presteigne for a contract sum of £1,180,055.
- d) A contract with Harper Group Construction Limited for the construction of 19 houses at Kent Road, Halesowen for a contract sum of £1,607,980.
- e) A Contract with Harper Group Construction Limited for the construction of 5 houses at Pinewoods Avenue, Hagley for a contract sum of £835,010.

During the year a motor vehicle was sold for £9,470 to the wife of M W Lennock, a director of the company.