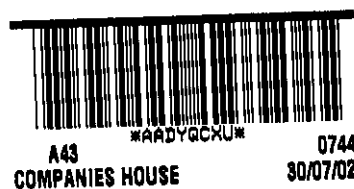


Register

Company Registration No. 1854872 (England and Wales)

HARPER GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2001

Clement Keys
CHARTERED ACCOUNTANTS ■



HARPER GROUP PLC

DIRECTORS AND ADVISERS

Directors	M W Lennox P N Mondon P J Underhill
Secretary	M W Lennox
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

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Consolidated profit and loss account	4
Statement of recognised gains and losses	5
Balance sheets	6
Consolidated cash flow statement	7
Notes to the consolidated cash flow statement	8
Notes to the financial statements	9 - 22

HARPER GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and financial statements for the year ended 31 December 2001.

Directors

The following directors have held office since 1 January 2001:

J S Harper	(Resigned 28 June 2001)
M W Lennock	
P N Mondon	
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 4.

An interim ordinary dividend was paid amounting to £25,000. The directors do not recommend payment of a final dividend.

Market value of land and buildings

The whole of the group's freehold land and buildings were revalued on 31 December 2001.

Purchase of own shares

During the year the parent company repurchased 509 ordinary shares of £1 each for a cash consideration of £600,000. The repurchase was made in connection with the retirement of J S Harper.

Directors' interests

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

	Ordinary shares of £1 each	
	31 December 2001	1 January 2001
M W Lennock	330	500
P N Mondon	170	170
P J Underhill	500	500
	Deferred shares of £1 each	
	31 December 2001	1 January 2001
P J Underhill	598,830	419,181

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

HARPER GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

Creditor payment policy

The group'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 45 (2000 - 51) 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.

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.

On behalf of the board



M W Lennock

Director

13 May 2002

HARPER GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HARPER GROUP PLC

We have audited the financial statements on pages 4 to 22 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 9.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the group's affairs 31 December 2001 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

13 May 2002

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

HARPER GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	22,178,003	20,654,594
Cost of sales	3	(19,963,163)	(18,552,128)
Gross profit		2,214,840	2,102,466
Administrative expenses	3	(1,897,590)	(1,982,753)
Other operating income		12,614	20,615
Operating profit	3	329,864	140,328
Other interest receivable and similar income		17,387	51,025
Interest payable and similar charges	4	(9,543)	(24,705)
Profit on ordinary activities before and after taxation		337,708	166,648
Dividends	7	(25,000)	-
Retained profit for the year	16	312,708	166,648

The profit and loss account has been prepared on the basis that all operations are continuing operations.

HARPER GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001

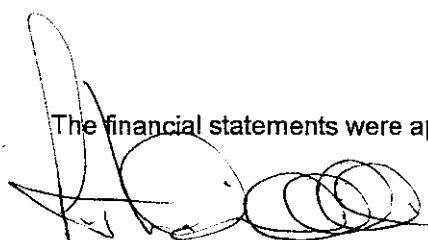
	2001 £	2000 £
Profit for the financial year	337,708	166,648
Unrealised surplus on revaluation of properties	73,958	-
Total recognised gains and losses relating to the year	<u>411,666</u>	<u>166,648</u>

HARPER GROUP PLC

BALANCE SHEETS AS AT 31 DECEMBER 2001

	Notes	Group 2001 £	2000 £	Company 2001 £	2000 £
Fixed assets					
Tangible assets	8	647,874	601,610	99,606	99,151
Investments	9	-	-	1,932,154	1,932,154
		<u>647,874</u>	<u>601,610</u>	<u>2,031,760</u>	<u>2,031,305</u>
Current assets					
Stocks	10	3,370,623	1,664,383	-	-
Debtors	11	1,348,592	2,291,961	659,542	488,027
Cash at bank and in hand		212,021	462,831	88,866	-
		<u>4,931,236</u>	<u>4,419,175</u>	<u>748,408</u>	<u>488,027</u>
Creditors: amounts falling due within one year	12	<u>(5,525,850)</u>	<u>(4,750,542)</u>	<u>(2,169,945)</u>	<u>(2,279,818)</u>
Net current liabilities		<u>(594,614)</u>	<u>(331,367)</u>	<u>(1,421,537)</u>	<u>(1,791,791)</u>
Total assets less current liabilities		<u>53,260</u>	<u>270,243</u>	<u>610,223</u>	<u>239,514</u>
Creditors: amounts falling due after more than one year	13	<u>(21,887)</u>	<u>(25,536)</u>	<u>-</u>	<u>-</u>
		<u>31,373</u>	<u>244,707</u>	<u>610,223</u>	<u>239,514</u>
Capital and reserves					
Called up share capital	15	600,016	600,525	600,016	600,525
Revaluation reserve	16	302,811	228,853	6,293	-
Other reserves	16	497,072	496,563	2,193	1,684
Profit and loss account	16	<u>(1,368,526)</u>	<u>(1,081,234)</u>	<u>1,721</u>	<u>(362,695)</u>
	17	<u>31,373</u>	<u>244,707</u>	<u>610,223</u>	<u>239,514</u>
Equity interests		<u>(567,457)</u>	<u>(354,123)</u>	<u>11,393</u>	<u>(359,316)</u>
Non-equity interests		<u>598,830</u>	<u>598,830</u>	<u>598,830</u>	<u>598,830</u>
		<u>31,373</u>	<u>244,707</u>	<u>610,223</u>	<u>239,514</u>

The financial statements were approved by the board on 13 May 2002



P J Underhill
Director

HARPER GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
Net cash outflow from operating activities	(325,858)	548,682
Returns on investments and servicing of finance		
Interest received	17,387	51,025
Interest paid	(9,543)	(24,705)
Net cash inflow for returns on investments and servicing of finance	7,844	(26,320)
Capital expenditure		
Payments to acquire tangible assets	(52,539)	(28,705)
Receipts from sales of tangible assets	80,626	31,305
Net cash inflow for capital expenditure	28,087	2,600
Equity dividends paid	(25,000)	-
Net cash outflow before management of liquid resources and financing	(314,927)	(519,762)
Financing		
Purchase of own shares	(600,000)	-
Other new short term loans	728,500	-
Repayment of other long term loans	-	(154,993)
Capital element of hire purchase contracts	(60,950)	(60,302)
Capital element of finance lease contracts	(3,433)	(46,914)
Net cash inflow/(outflow) from financing	64,117	(262,209)
Decrease in cash in the year	(250,810)	(781,971)

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

1	Reconciliation of operating profit to net cash outflow from operating activities		2001	2000
			£	£
	Operating profit		329,864	140,328
	Depreciation of tangible assets		75,342	82,737
	Profit/(loss) on disposal of tangible assets		(16,341)	2,381
	Increase in stocks		(1,706,240)	(189,394)
	Decrease/(increase) in debtors		943,369	(1,649,773)
	Increase in creditors within one year		48,148	1,065,039
	Net cash outflow from operating activities		(325,858)	(548,682)

2	Analysis of net (debt)/funds	1 January 2001	Cash flow	Other non-cash changes	31 December 2001
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	462,831	(250,810)	-	212,021
		<u>462,831</u>	<u>(250,810)</u>	<u>-</u>	<u>212,021</u>
	Debt:				
	Finance leases	(65,876)	64,383	(59,394)	(60,887)
	Debts falling due within one year	-	(728,500)	-	(728,500)
		<u>(65,876)</u>	<u>(664,117)</u>	<u>(59,394)</u>	<u>(789,387)</u>
	Net funds/(debt)	<u>396,955</u>	<u>(914,927)</u>	<u>(59,394)</u>	<u>(577,366)</u>

3	Reconciliation of net cash flow to movement in net debt	2001	2000
		£	£
	Decrease in cash in the year	(250,810)	(781,971)
	Cash (inflow)/outflow from (increase)/decrease in debt	(664,117)	221,975
	Change in net debt resulting from cash flows	(914,927)	(559,996)
	New finance lease	(59,394)	-
	Movement in net (debt)/funds in the year	(974,321)	(559,996)
	Opening net funds	396,955	956,951
	Closing net (debt)/funds	(577,366)	396,955

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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 2001. 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 other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

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

Freehold land and buildings are revalued every five years with an interim valuation in the third year. Interim valuations are also carried out in interim years where it is likely that there has been a material change in value.

Previously the group adopted the transitional arrangements of FRS 15 to retain the book value of land and buildings at their carrying amounts. This represents a change in accounting policy, the effect of which is disclosed in note 3 to the accounts.

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.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1 Accounting policies

1.7 Investments

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

1.8 Stock

Work in progress is valued at the lower of cost and net realisable value.

1.9 Long term contracts

Amounts recoverable on long term contracts, which are included in work in progress, 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 Group operates a defined contribution scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17.

1.11 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment.

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.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

3 Operating profit	2001	2000
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	75,342	82,737
Operating lease rentals	125,330	127,895
Auditors' remuneration	15,000	15,000
Remuneration of auditors for non-audit work	7,625	7,800
and after crediting:		
Rents receivable	12,614	20,615

The directors have adopted a policy to include freehold land and buildings at valuation in accordance with FRS 15. The effect on the results for the year is to reduce the charge for depreciation by £6,508.

4 Interest payable	2001	2000
	£	£
On bank loans and overdrafts	613	1,777
On other loans wholly repayable within 5 years	-	8,491
Lease finance charges	8,930	14,437
	<u>9,543</u>	<u>24,705</u>

5 Taxation

The company has estimated losses of £ 1,800,000 (2000 : £ 2,000,000) available for carry forward against future trading profits.

6 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:

	2001	2000
	£	£
Holding company's profit/(loss) for the financial year	<u>989,416</u>	<u>(1,013,901)</u>

7 Dividends

	2001	2000
	£	£
Ordinary interim paid	<u>25,000</u>	<u>-</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

8 Tangible fixed assets Group

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2001	393,981	109,210	321,561	284,917	1,109,669
Additions	-	34,500	18,038	59,394	111,932
Revaluation	17,269	-	-	-	17,269
Disposals	(11,250)	(50,750)	(6,219)	(36,885)	(105,104)
At 31 December 2001	400,000	92,960	333,380	307,426	1,133,766
Depreciation					
At 1 January 2001	56,689	61,586	216,966	172,818	508,059
Revaluation	(56,689)	-	-	-	(56,689)
On disposals	-	(25,927)	(2,905)	(11,987)	(40,819)
Charge for the year	-	13,075	29,017	33,249	75,341
At 31 December 2001	-	48,734	243,078	194,080	485,892
Net book value					
At 31 December 2001	400,000	44,226	90,302	113,346	647,874
At 31 December 2000	337,292	47,624	104,595	112,099	601,610

The group's freehold land and buildings were revalued on the basis of open market value for existing use on 31 December 2001 by the directors.

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

	£
Cost	
At 1 January 2001 & at 31 December 2001	119,468
Depreciation based on cost	
At 1 January 2001	-
Charge for the year	-
At 31 December 2001	-
Net book value	
At 31 December 2001	119,468
At 31 December 2000	104,138

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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 2001	-	7,711	59,099	66,810
At 31 December 2000	10,853	16,564	98,838	126,255
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation charge for the year				
31 December 2001	-	2,803	13,863	16,666
31 December 2000	3,617	2,718	32,225	38,560
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8 Tangible fixed assets (continued) Company

	Land and buildings Freehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2001	81,321	110,287	-	191,608
Additions	-	4,030	28,144	32,174
Revaluation	(11,321)	-	-	(11,321)
Disposals	-	-	(28,144)	(28,144)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	70,000	114,317	-	184,317
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 January 2001	17,614	74,843	-	92,457
Revaluation	(17,614)	-	-	(17,614)
On disposals	-	-	(3,518)	(3,518)
Charge for the year	-	9,868	3,518	13,386
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	-	84,711	-	84,711
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 December 2001	70,000	29,606	-	99,606
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	63,707	35,444	-	99,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The company's freehold properties were revalued by the directors on the basis of open market value for existing use at 31 December 2001.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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

	£
Cost	
At 1 January 2001 & at 31 December 2001	81,321
Depreciation based on cost	
At 1 January 2001	-
Charge for the year	-
At 31 December 2001	-
Net book value	
At 31 December 2001	81,321
At 31 December 2000	81,321

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 2001	1	-	1
At 31 December 2000	6,050	-	6,050
Depreciation charge for the year			
31 December 2001	-	3,518	3,518
31 December 2000	2,017	-	2,017

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

9 Fixed asset investments Company

	Shares in subsidiary undertakings £
Cost or valuation	
At 1 January 2001 & at 31 December 2001	1,944,446
Provisions for diminution in value	
At 1 January 2001 & at 31 December 2001	12,292
Net book value	
At 31 December 2001	1,932,154
At 31 December 2000	1,932,154

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	Class	Shares held %
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 2001 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 2001

10 Stocks

	Group 2001 £	2000 £	Company 2001 £	2000 £
Long term contract balances:				
- Net cost less foreseeable losses	37,179,422	27,699,782	-	-
- Payments on account	(33,808,799)	(26,035,399)	-	-
	<u>3,370,623</u>	<u>1,664,383</u>	<u>-</u>	<u>-</u>

11 Debtors

	Group 2001 £	2000 £	Company 2001 £	2000 £
Trade debtors	1,046,474	1,513,659	-	9,081
Amounts owed by group undertakings	-	-	464,216	-
ACT recoverable	12,000	12,000	12,000	12,000
Other debtors	190,596	701,555	157,429	463,525
Prepayments and accrued income	99,522	64,747	25,897	3,421
	<u>1,348,592</u>	<u>2,291,961</u>	<u>659,542</u>	<u>488,027</u>

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

	2001 £	2000 £	2001 £	2000 £
ACT recoverable	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>-</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

12 Creditors : amounts falling due within one year

	Group 2001 £	2000 £	Company 2001 £	2000 £
Bank loans and overdrafts	-	-	-	539,180
Net obligations under finance lease and hire purchase contracts	39,000	40,340	11,609	1,557
Trade creditors	4,279,617	4,395,244	17,525	12,234
Amounts owed to group undertakings	-	-	1,883,968	1,593,063
Taxes and social security costs	191,668	111,044	105,310	63,557
Other creditors	899,923	90,137	109,917	40,116
Accruals and deferred income	115,642	113,777	41,616	30,111
	<u>5,525,850</u>	<u>4,750,542</u>	<u>2,169,945</u>	<u>2,279,818</u>

13 Creditors : amounts falling due after more than one year

	Group 2001 £	2000 £	Company 2001 £	2000 £
Net obligations under finance leases and hire purchase agreements	<u>21,887</u>	<u>25,536</u>	<u>-</u>	<u>-</u>
Between one and two years	-	4,993	-	4,993
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	39,000	40,340	11,609	1,557
Repayable between one and five years	<u>21,887</u>	<u>25,536</u>	<u>-</u>	<u>-</u>
	60,887	65,876	11,609	1,557
Included in liabilities falling due within one year	<u>(39,000)</u>	<u>(40,340)</u>	<u>(11,609)</u>	<u>(1,557)</u>
	<u>21,887</u>	<u>25,536</u>	<u>-</u>	<u>-</u>

14 Pension costs

Defined contribution

	2001 £	2000 £
Contributions payable by the company for the year	<u>59,610</u>	<u>58,738</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

15 Share capital	2001 £	2000 £
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 "A" shares of £ 1 each	748	748
331 Convertible "B" shares of £ 1 each	331	331
	<u>602,209</u>	<u>602,209</u>
 Allotted, called up and fully paid		
1,186 Ordinary shares of £ 1 each	1,186	1,695
598,830 Deferred shares of £ 1 each	598,830	598,830
	<u>600,016</u>	<u>600,525</u>

The Deferred £1 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.

During the year the parent company repurchased 509 ordinary shares of £1 each for a cash consideration of £600,000. The repurchase was made in connection with the retirement of J S Harper.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

16 Statement of movements on reserves Group

	Revaluation reserve £	Other reserves £	Profit and loss account £
Balance at 1 January 2001	228,853	496,563	(1,081,234)
Retained profit for the year	-	-	312,708
Purchase of own shares	-	-	(600,000)
Revaluation during the year	17,269	-	-
Depreciation written back	56,689	-	-
Movement during the year	-	509	-
Balance at 31 December 2001	<u>302,811</u>	<u>497,072</u>	<u>(1,368,526)</u>

Other reserves

Capital redemption reserve

Balance at 31 December 2001

496,563

Capital redemption reserve movement

509

Balance at 31 December 2001

497,072

Company

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2001	-	1,684	(362,695)
Retained profit for the year	-	-	964,416
Purchase of own shares	-	-	(600,000)
Revaluation during the year	(11,321)	-	-
Depreciation written back	17,614	-	-
Movement during the year	-	509	-
Balance at 31 December 2001	<u>6,293</u>	<u>2,193</u>	<u>1,721</u>

Other reserves

Capital redemption reserve

Balance at 31 December 2001

1,684

Capital redemption reserve movement

509

Balance at 31 December 2001

2,193

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

17 Reconciliation of movements in shareholders' funds		2001	2000
Group		£	£
Profit for the financial year		337,708	166,648
Dividends		(25,000)	-
		<hr/>	<hr/>
		312,708	166,648
Other recognised gains and losses		73,958	-
Purchase of own shares		(600,000)	-
		<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds		(232,204)	166,648
Opening shareholders' funds		244,707	78,059
		<hr/>	<hr/>
Closing shareholders' funds		31,373	244,707
		<hr/>	<hr/>
Company		2001	2000
		£	£
Profit/(Loss) for the financial year		989,416	(1,013,901)
Dividends		(25,000)	-
		<hr/>	<hr/>
		964,416	(1,013,901)
Other recognised gains and losses		(11,321)	-
Purchase of own shares		(600,000)	-
		<hr/>	<hr/>
Net addition to/(depletion in) shareholders' funds		353,095	(1,013,901)
Opening shareholders' funds		239,514	1,253,415
		<hr/>	<hr/>
Closing shareholders' funds		610,223	239,514
		<hr/>	<hr/>

18 Financial commitments

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as follows:

	Other	2000
	2001	
	£	£
Expiry date:		
Within one year	16,994	75,186
Between two and five years	174,441	101,960
	<hr/>	<hr/>
	191,435	177,146
	<hr/>	<hr/>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

19 Directors' emoluments	2001 £	2000 £
Emoluments for qualifying services	152,303	250,780
Company pension contributions to money purchase schemes	13,381	16,409
Compensation for loss of office	-	78,071
	<u>345,260</u>	<u>258,655</u>

The emoluments of the highest paid director amounted to £86,925 (2000 £110,839).

20 Transactions with directors

Other debtors at 31 December 2000 included interest free loans due from directors of £7,375 from P J Underhill, £7,500 from J S Harper, £7,382 from M W Lennox and £2,500 from P N Mondon. These loans were repaid during the year ended 31 December 2001. These amounts are the highest balances outstanding in the year.

At 31 December 2001 the company was owed £9,470 by Mrs C Lennox, the wife of M W Lennox. This amount is the highest balance outstanding in the year. The loan has been repaid after the balance sheet date.

During the year a motor vehicle was sold to J S Harper, a director of the company, for £19,000.

Other creditors at 31 December 2001 include a loan of £50,000 from P J Underhill. Interest is payable at 2% above bank base rate.

21 Employees

Number of employees

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

	2001 Number	2000 Number
Administration and selling	50	51
Site based	123	128
	<u>173</u>	<u>179</u>

Employment costs

	£	£
Wages and salaries	3,106,111	3,067,218
Social security costs	279,251	265,737
Other pension costs	59,610	58,738
	<u>3,444,972</u>	<u>3,391,693</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

22 Related party transactions

Group

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

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

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

- a) A contract with J Harper & Sons (Leominster) Limited for the construction of infrastructure works at Norton, Presteigne for a contract sum of £376,000.
- b) A contract with J Harper & Sons (Leominster) Limited for the construction of 14 houses at Norton, Presteigne for a contract sum of £376,000.
- c) 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.
- d) A contract with Harper Group Construction Limited for the construction of 4 houses at Hilton, Bridgnorth for a contract sum of £667,310.
- e) A Contract with J Harper & Sons (Leominster) Limited for the construction of 6 houses at New House Farm, Dilwyn for a contract sum of £627,500.

J S Harper, P J Underhill and M W Lennock are trustees and members of Harper Group Plc Group Directors Pension Plan. During the year J Harper & Sons (Leominster) Limited have paid the Scheme £35,800 in rent for property occupied by that company. Other creditors at 31 December 2001 include a loan from the Scheme of £50,000. Interest is payable at 2% above bank base rate.

P J Underhill is a director and has a beneficial interest in Pemberstone Investments Limited. During the year the group has made sales of £90,000 to Pemberstone Investments Limited in the normal course of business. At 31 December 2001 the group owed Pemberstone Investments Limited £728,500. Interest is payable on this loan at 2% above bank base rate.

P N Mondon is a director and shareholder and P J Underhill and C Lennock (wife of M W Lennock) are shareholders of Coastline Windows Limited. During the year a subsidiary undertaking charged Coastline Windows £3,250 for management services. Other debtors at 31 December 2001 includes an unsecured loan to Coastline Windows Limited.

Other debtors at 31 December 2001 includes an unsecured loan to The Universal Woodbrick Co Limited, a company in which M W Lennock is a director and shareholder. Interest is payable at 2% above bank rate.