

Company Registration No. 1854872 (England and Wales)

HARPER GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005



COMPANIES HOUSE

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07/04/2006

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HARPER GROUP PLC

DIRECTORS AND ADVISERS

Directors	P N Mondon P J Underhill
Secretary	P Mondon
Company number	1854872
Registered office	Beeches Road Rowley Regis West Midlands B65 0BB
Registered auditors	CK Audit Dartmouth House Sandwell Road West Bromwich West Midlands B70 8TH
Business address	Beeches Road Rowley Regis West Midlands B65 0BB
Bankers	HSBC Bank PLC 31 Church Street Kidderminster Worcestershire England DY 10 2AY

HARPER GROUP PLC

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HARPER GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Directors

The following directors have held office since 1 January 2005:

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 an operating profit for the year 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.

The directors do not recommend payment of an ordinary dividend.

Market value of land and buildings

The whole of the group's freehold land and buildings were professionally valued on 31 December 2001. The properties were revalued by the directors at 31 December 2005.

Directors' interests

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

	Ordinary shares of £1 each	
	31 December 2002	1 January 2002
P N Mondon	170	170
P J Underhill	500	500
	Deferred shares of £1 each	
	31 December 2002	1 January 2002
P J Underhill	598,830	598,830

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

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 (2004- 51) days' purchases.

HARPER GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that CK Audit 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 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



P N Mondon

Director

31 March 2006

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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

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 or 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 *International Standards on Auditing (UK and Ireland)* issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


CK Audit
Chartered Accountants
Registered Auditor

31 March 2006

Dartmouth House
Sandwell Road
West Bromwich
West Midlands
B70 8TH

HARPER GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Notes	£	as restated £
Turnover		29,220,687	26,826,943
Cost of sales		(25,847,453)	(23,150,619)
Gross profit		3,373,234	3,676,324
Administrative expenses		(2,572,525)	(2,354,051)
Other operating income		42,763	15,019
Operating profit	3	843,472	1,337,292
Profit on sale of fixed assets		-	76,374
Profit on ordinary activities before interest		843,472	1,413,666
Other interest receivable and similar income		93,197	38,533
Interest payable and similar charges	4	(1,333)	(5,555)
Profit on ordinary activities before taxation		935,336	1,446,644
Tax on profit on ordinary activities	5	(249,653)	(232,884)
Profit on ordinary activities after taxation		685,683	1,213,760
Dividends	7	(167,529)	-
Retained profit for the year	15	518,154	1,213,760

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 2005

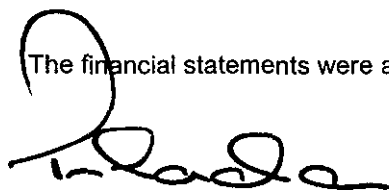
	2005 £	2004 £
Profit for the financial year	685,683	1,213,760
Prior year adjustment	167,529	-
Total gains and losses recognised since last financial statements	<u>853,212</u>	<u>1,213,760</u>

HARPER GROUP PLC

BALANCE SHEETS AS AT 31 DECEMBER 2005

		Group		Company	
		2005	2004	2005	2004
		as restated		as restated	
Notes		£	£	£	£
Fixed assets					
Tangible assets	8	724,683	660,587	564,355	497,553
Investments	9	-	-	1,932,154	1,932,154
		<u>724,683</u>	<u>660,587</u>	<u>2,496,509</u>	<u>2,429,707</u>
Current assets					
Stocks	10	3,544,722	3,055,575	-	-
Debtors	11	3,861,106	2,165,822	1,302,399	816,172
Cash at bank and in hand		2,272,087	1,550,202	1,258,210	450,964
		<u>9,677,915</u>	<u>6,771,599</u>	<u>2,560,609</u>	<u>1,267,136</u>
Creditors: amounts falling due within one year	12	<u>(8,285,215)</u>	<u>(5,832,957)</u>	<u>(3,631,371)</u>	<u>(2,288,891)</u>
Net current assets		<u>1,392,700</u>	<u>938,642</u>	<u>(1,070,762)</u>	<u>(1,021,755)</u>
Total assets less current liabilities		<u>2,117,383</u>	<u>1,599,229</u>	<u>1,425,747</u>	<u>1,407,952</u>
Capital and reserves					
Called up share capital	14	599,686	599,686	599,686	599,686
Revaluation reserve	15	277,983	277,983	-	-
Other reserves	15	497,402	497,402	2,523	2,523
Profit and loss account	15	742,312	224,158	823,538	805,743
	16	<u>2,117,383</u>	<u>1,599,229</u>	<u>1,425,747</u>	<u>1,407,952</u>
Equity interests		1,518,553	1,000,399	826,917	809,122
Non-equity interests		598,830	598,830	598,830	598,830
		<u>2,117,383</u>	<u>1,599,229</u>	<u>1,425,747</u>	<u>1,407,952</u>

The financial statements were approved by the board on 31 March 2006



P N Mondon
Director

HARPER GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Net cash inflow from operating activities		1,140,317		1,188,653
Returns on investments and servicing of finance				
Interest received	93,197		38,533	
Interest paid	(1,333)		(5,555)	
Net cash inflow for returns on investments and servicing of finance		91,864		32,978
Taxation		(173,168)		(48,701)
Capital expenditure				
Payments to acquire tangible assets	(183,761)		(227,982)	
Receipts from sales of tangible assets	14,351		147,424	
Net cash outflow for capital expenditure		(169,410)		(80,558)
Equity dividends paid		(167,529)		-
Net cash inflow before management of liquid resources and financing		722,074		1,092,372
Financing				
Purchase of own shares	-		(775,000)	
Capital element of hire purchase contracts	-		(2,413)	
Net cash outflow from financing		-		(777,413)
Increase in cash in the year		722,074		314,959

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating profit to net cash inflow from operating activities	2005		2004	
		£		£	
	Operating profit	843,472		1,337,292	
	Depreciation of tangible assets	100,397		55,690	
	Loss on disposal of tangible assets	4,917		8,915	
	Increase in stocks	(489,147)		(197,871)	
	Increase in debtors	(1,707,284)		(577,845)	
	Increase in creditors within one year	2,387,962		562,472	
	Net cash inflow from operating activities	1,140,317		1,188,653	
2	Analysis of net funds	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,550,202	721,885	-	2,272,087
	Bank overdrafts	(189)	189	-	-
		<u>1,550,013</u>	<u>722,074</u>	<u>-</u>	<u>2,272,087</u>
	Net funds	<u>1,550,013</u>	<u>722,074</u>	<u>-</u>	<u>2,272,087</u>
3	Reconciliation of net cash flow to movement in net debt	2005		2004	
		£		£	
	Increase in cash in the year	722,074		314,959	
	Cash (inflow)/outflow from (increase)/decrease in debt	-		2,413	
	Movement in net funds in the year	722,074		317,372	
	Opening net funds	1,550,013		1,232,641	
	Closing net funds	2,272,087		1,550,013	

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

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 2005. 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 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
Leasehold impr'vm'ts	20% straight line
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.

1.5 Leasing and hire purchase commitments

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.

1.6 Investments

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

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.7 Stock

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

1.8 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.

1.9 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 Deferred taxation

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.

1.11 Prior year adjustment

The company has adopted the provisions of Financial Reporting Standard No 21, Events after the balance sheet date'.

Under FRS21, dividends relating to a previous year that are unpaid at the balance sheet date are not recognised as a liability because they do not meet the criteria of a present obligation as defined by FRS12. Accordingly, the treatment of the dividend relating to the year ended 31 December 2004 has been changed. In the financial statements for that year the dividend had been recognised as a liability and included in the profit and loss account and creditors due in one year. The dividend has now been included as a dividend in the current year. Comparative amounts have been restated to exclude the dividend.

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 2005

3	Operating profit	2005	2004
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	100,397	55,690
	Loss on disposal of tangible assets	5,105	8,915
	Operating lease rentals	36,091	42,508
	Auditors' remuneration (company £5,850; 2004: £5,715)	18,750	16,315
	Remuneration of auditors for non-audit work	5,465	6,780
	and after crediting:		
	Rents receivable	21,241	15,019
	Profit on disposal of tangible assets	(188)	-
		<u> </u>	<u> </u>
4	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	1,333	1,327
	Hire purchase interest	-	507
	On overdue tax	-	3,721
		<u> </u>	<u> </u>
		1,333	5,555
		<u> </u>	<u> </u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

5	Taxation	2005 £	2004 £
	Domestic current year tax		
	U.K. corporation tax	237,568	229,630
	Adjustment for prior years	67	3,254
	Irrecoverable A.C.T.	12,018	-
	Current tax charge	<u>249,653</u>	<u>232,884</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>935,336</u>	<u>1,446,644</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 27.58% (2004: 28.26%)	<u>257,966</u>	<u>408,822</u>
	Effects of:		
	Non deductible expenses	13,320	11,998
	Depreciation add back	24,986	18,973
	Capital allowances	(30,641)	(33,818)
	Tax losses utilised	(28,933)	(169,547)
	Adjustments to previous periods	67	3,254
	Other tax adjustments	12,888	(6,798)
		<u>(8,313)</u>	<u>(175,938)</u>
	Current tax charge	<u>249,653</u>	<u>232,884</u>

6 Profit 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 for the financial year is made up as follows:

	2005 £	2004 £
Holding company's profit for the financial year	<u>185,324</u>	<u>1,324,093</u>

7	Dividends	2005 £	2004 £
	Prior year final, paid	<u>167,529</u>	<u>-</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

8 Tangible fixed assets Group

	Land and buildings Freehold	Leasehold impr'vm'ts	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2005	335,000	-	152,522	415,775	262,200	1,165,497
Additions	-	22,838	132,115	6,600	22,208	183,761
Disposals	-	-	(15,000)	-	(45,826)	(60,826)
At 31 December 2005	335,000	22,838	269,637	422,375	238,582	1,288,432
Depreciation						
At 1 January 2005	-	-	5,626	326,912	172,372	504,910
On disposals	-	-	(938)	-	(40,620)	(41,558)
Charge for the year	-	4,568	48,317	23,121	24,391	100,397
At 31 December 2005	-	4,568	53,005	350,033	156,143	563,749
Net book value						
At 31 December 2005	335,000	18,270	216,632	72,342	82,439	724,683
At 31 December 2004	335,000	-	146,896	88,863	89,828	660,587

The group's freehold land and buildings were revalued on the basis of open market value for existing use on 31 December 2005 by the directors.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Tangible fixed assets (continued)

Company

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 January 2005	335,000	145,000	120,295	600,295
Additions	-	131,665	1,550	133,215
Disposals	-	(15,000)	-	(15,000)
At 31 December 2005	335,000	261,665	121,845	718,510
Depreciation				
At 1 January 2005	-	-	102,742	102,742
On disposals	-	(938)	-	(938)
Charge for the year	-	47,730	4,621	52,351
At 31 December 2005	-	46,792	107,363	154,155
Net book value				
At 31 December 2005	335,000	214,873	14,482	564,355
At 31 December 2004	335,000	145,000	17,553	497,553

Plant and machinery represents assets leased to EP Packaging Limited, a related party (see note 21).

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

9 Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At 1 January 2005 and at 31 December 2005	1,944,446
Provisions for diminution in value	
At 1 January 2005 and at 31 December 2005	12,292
Net book value	
At 31 December 2005	1,932,154
At 31 December 2004	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	Shares held	
		Class	%
Subsidiary undertakings			
Harper Group Construction Limited	England & Wales	Ordinary	100
J Harper & Sons (Leominster) 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

The directors applied to have all dormant subsidiaries, including dormant subsidiaries of Harper Group Construction Limited dissolved during the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

10 Stocks

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Long term contract balances:				
- Net cost less foreseeable losses	49,976,737	41,733,422	-	-
- Payments on account	(46,432,015)	(38,677,847)	-	-
	<u>3,544,722</u>	<u>3,055,575</u>	<u>-</u>	<u>-</u>

11 Debtors

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	2,399,059	1,239,884	13,716	12,337
ACT recoverable	-	12,000	-	12,000
Other debtors	1,317,618	800,597	1,242,269	772,257
Prepayments and accrued income	144,429	113,341	46,414	19,578
	<u>3,861,106</u>	<u>2,165,822</u>	<u>1,302,399</u>	<u>816,172</u>

12 Creditors : amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	7,290,884	5,063,981	95,619	13,857
Amounts owed to group undertakings	-	-	3,164,198	2,104,628
Corporation tax	298,319	233,834	8,129	10,666
Taxes and social security costs	231,657	213,138	81,309	67,738
Other creditors	83,032	107,034	24,042	38,237
Accruals and deferred income	381,323	214,781	258,074	53,765
	<u>8,285,215</u>	<u>5,832,768</u>	<u>3,631,371</u>	<u>2,288,891</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

13 Pension costs

Defined contribution

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.

	2005 £	2004 £
Contributions payable by the group for the year	69,198	58,795

14 Share capital

	2005 £	2004 £
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		
856 Ordinary shares of £1 each	856	856
598,830 Deferred shares of £1 each	598,830	598,830
	<u>599,686</u>	<u>599,686</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.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

15 Statement of movements on reserves Group

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2005	277,983	497,402	56,629
Prior year adjustment	-	-	167,529
Balance at 1 January 2005 as restated	277,983	497,402	224,158
Retained profit for the year	-	-	518,154
Balance at 31 December 2005	277,983	497,402	742,312

Other reserves

Capital redemption reserve

Balance at 1 January 2005 & at 31 December 2005

497,402

Company

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2005	2,523	638,214
Prior year adjustment	-	167,529
Balance at 1 January 2005 as restated	2,523	805,743
Retained profit for the year	-	17,795
Balance at 31 December 2005	2,523	823,538

Other reserves

Capital redemption reserve

Balance at 1 January 2005 & at 31 December 2005

2,523

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

16 Reconciliation of movements in shareholders' funds	2005	2004
Group	£	£
Profit for the financial year	685,683	1,213,760
Dividends	(167,529)	-
	<u>518,154</u>	<u>1,213,760</u>
Other recognised gains and losses	-	88,030
Purchase of own shares	-	(775,000)
	<u>518,154</u>	<u>526,790</u>
Net addition to shareholders' funds	1,599,229	1,072,439
Opening shareholders' funds	<u>1,599,229</u>	<u>1,072,439</u>
Closing shareholders' funds	<u>2,117,383</u>	<u>1,599,229</u>

Opening shareholders' funds were originally £1,431,700 before adding prior year adjustments of £167,529.

Comparative amounts have been restated following adoption of FRS21. See note 1 'Accounting policies' for details

Company	2005	2004
	£	£
Profit for the financial year	185,324	1,324,093
Dividends	(167,529)	-
Purchase of own shares	-	(775,000)
	<u>17,795</u>	<u>549,093</u>
Net addition to shareholders' funds	1,407,952	858,859
Opening shareholders' funds	<u>1,407,952</u>	<u>858,859</u>
Closing shareholders' funds	<u>1,425,747</u>	<u>1,407,952</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

17 Financial commitments

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	-	-	28,896	22,920
Between two and five years	-	-	208,137	196,699
In over five years	39,250	42,508	-	-
	<u>39,250</u>	<u>42,508</u>	<u>237,033</u>	<u>219,619</u>

18 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	310,313	220,415
Company pension contributions to money purchase schemes	11,041	4,174
	<u>321,354</u>	<u>224,589</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	277,973	138,904
Company pension contributions to money purchase schemes	11,041	4,174
	<u>289,014</u>	<u>143,078</u>

19 Transactions with directors

The company made a loan of £320,000 to P Mondon, a director of the company. This was repaid during the year and interest of £2,485 was paid to the company at Barclays Bank plc base rate. The group also made sales of £17,461 to P N Mondon in the normal course of business. The amount owing at 31 December 2005 was £nil.

The group made sales of £41,019 to P J Underhill, a director of the company, in the normal course of business. The amount owing at 31 December 2005 was £nil.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

20 Employees

Number of employees

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

	2005 Number	2004 Number
Administration and selling	59	59
Site based	127	121
	<u>186</u>	<u>180</u>

Employment costs

	2005 £	2004 £
Wages and salaries	4,646,127	4,087,736
Social security costs	450,362	395,171
Other pension costs	69,198	58,795
	<u>5,165,687</u>	<u>4,541,702</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

21 Related party transactions

Parent

P N Mondon and P J Underhill are directors and shareholders of EP Packaging Limited. Included in other debtors is £475,000 loaned to EP Packaging Limited. Interest is payable at 1.5% above Barclays Bank plc base rate. The company has entered into agreements with EP Packaging to acquire assets from that company for £260,000 and lease them back for a period of five years at a rent of £5,951 per month. By agreement with EP Packaging Limited, this agreement was deferred for 12 months and will now commence with effect from 1 January 2006. EP Packaging purchased a machine for £14,250 from Harper Group plc and the amount was received during the year. Harper Group plc purchased a machine from EP Packaging Limited for £80,000 and £94,000 was included in trade creditors at 31 December 2005.

P N Mondon and P J Underhill are directors and shareholders of Beeches One Limited. Included in other debtors is £671,260 loaned to Beeches One Limited. Interest is payable at 1.5% above Barclays Bank plc base rate.

P J Underhill is a director and shareholder of Beeches Two Limited. The company has made sales of £136,448 to Beeches Two Limited and £11,750 was owing at 31 December 2005 in respect of these transactions.

P N Mondon and P J Underhill are directors and shareholders of Redbrick Estates Limited. The company has loaned Redbrick Estates £75,000 and this amount is outstanding at the balance sheet date. Interest is payable at 1.0% above Barclays Bank plc rate.

Other group companies

The group occupies premises owned by the Capital Group Pension Scheme. Rent paid in the year was £42,508. P J Underhill is a member and trustee of the scheme.

P J Underhill is a director and has a beneficial interest in Beeches Three Limited. The group has charged project management fees of £378,399 to Beeches Three Limited.

P J Underhill is a director of Maes Construction Limited. The group has made sales of £236,140 to Maes Construction Limited.

22 Post Balance Sheet Events

Group and company

On 20 January 2006 the company re-purchased 178 Ordinary Shares held by ICC One Limited for a cash consideration of £260,476.