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Company Registration No. 1854872 (England and Wales)

**HARPER GROUP PLC**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**



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# HARPER GROUP PLC

## DIRECTORS AND ADVISERS

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<b>Directors</b>	M W Lennock P N Mondon P J Underhill
<b>Secretary</b>	M W Lennock
<b>Company number</b>	1854872
<b>Registered office</b>	Beeches Road Rowley Regis West Midlands B65 0BB
<b>Registered auditors</b>	Clement Keys Dartmouth House Sandwell Road West Bromwich West Midlands B70 8TH
<b>Business address</b>	Beeches Road Rowley Regis West Midlands B65 0BB
<b>Bankers</b>	Barclays Bank Plc PO Box 9 Dudley West Midlands DY1 1PP
<b>Solicitors</b>	George Green & Co 195 High Street Cradley Heath West Midlands B64 5HW

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# HARPER GROUP PLC

## CONTENTS

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	Page
Directors' report	1 - 2
Independent auditors' report	3
Consolidated profit and loss account	4
Balance sheets	5
Consolidated cash flow statement	6
Notes to the consolidated cash flow statement	7
Notes to the financial statements	8 - 22

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# HARPER GROUP PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

### Directors

The following directors have held office since 1 January 2003:

M W Lennox

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 seventh 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.

### Market value of land and buildings

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

### 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
M W Lennox	330	330
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 (2002- 51) days' purchases.

# HARPER GROUP PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

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### 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



P N Mondon

**Director**

26 March 2004

# 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 8.

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, 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 2003 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**

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Dartmouth House  
Sandwell Road  
West Bromwich  
West Midlands  
B70 8TH

# HARPER GROUP PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	0	23,341,599	23,590,379
Cost of sales		(20,597,871)	(21,030,486)
<b>Gross profit</b>		<b>2,743,728</b>	<b>2,559,893</b>
Administrative expenses		(2,167,923)	(2,079,639)
Other operating income		14,209	15,126
<b>Operating profit</b>	<b>3</b>	<b>590,014</b>	<b>495,380</b>
Profit on sale of fixed assets	3	35,000	-
<b>Profit on ordinary activities before interest</b>		<b>625,014</b>	<b>495,380</b>
Other interest receivable and similar income		16,452	7,400
Interest payable and similar charges	4	(4,863)	(12,340)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>636,603</b>	<b>490,440</b>
Tax on profit on ordinary activities	5	(45,225)	(18,496)
<b>Profit on ordinary activities after taxation</b>		<b>591,378</b>	<b>471,944</b>
Dividends	7	(22,256)	-
<b>Retained profit for the year</b>	<b>16</b>	<b>569,122</b>	<b>471,944</b>

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

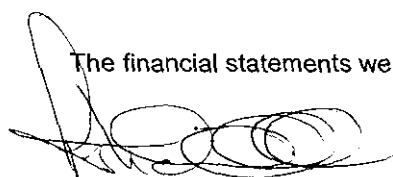
There are no recognised gains and losses other than those passing through the profit and loss account.

# HARPER GROUP PLC

## BALANCE SHEETS AS AT 31 DECEMBER 2003

	Notes	Group 2003 £	2002 £	Company 2003 £	2002 £
<b>Fixed assets</b>					
Tangible assets	8	480,230	636,442	87,857	92,205
Investments	9	-	-	1,932,154	1,932,154
		<u>480,230</u>	<u>636,442</u>	<u>2,020,011</u>	<u>2,024,359</u>
<b>Current assets</b>					
Stocks	10	2,857,704	3,270,652	-	-
Debtors	11	1,587,977	961,624	673,268	580,157
Cash at bank and in hand		1,235,432	777,603	184,631	114,608
		<u>5,681,113</u>	<u>5,009,879</u>	<u>857,899</u>	<u>694,765</u>
<b>Creditors: amounts falling due within one year</b>	12	(5,088,904)	(5,140,591)	(2,019,051)	(2,130,471)
<b>Net current assets/(liabilities)</b>		<u>592,209</u>	<u>(130,712)</u>	<u>(1,161,152)</u>	<u>(1,435,706)</u>
<b>Total assets less current liabilities</b>		<u>1,072,439</u>	<u>505,730</u>	<u>858,859</u>	<u>588,653</u>
<b>Creditors: amounts falling due after more than one year</b>	13	-	(2,413)	-	-
		<u>1,072,439</u>	<u>503,317</u>	<u>858,859</u>	<u>588,653</u>
<b>Capital and reserves</b>					
Called up share capital	15	600,016	600,016	600,016	600,016
Revaluation reserve	16	279,361	302,811	6,293	6,293
Other reserves	16	497,072	497,072	2,193	2,193
Profit and loss account	16	(304,010)	(896,582)	250,357	(19,849)
	17	<u>1,072,439</u>	<u>503,317</u>	<u>858,859</u>	<u>588,653</u>
Equity interests		<u>473,609</u>	<u>(95,513)</u>	<u>260,029</u>	<u>(10,177)</u>
Non-equity interests		<u>598,830</u>	<u>598,830</u>	<u>598,830</u>	<u>598,830</u>
		<u>1,072,439</u>	<u>503,317</u>	<u>858,859</u>	<u>588,653</u>

The financial statements were approved by the board on 26 March 2004



P J Underhill  
Director

# HARPER GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003		2002	
	£	£	£	£
<b>Net cash inflow from operating activities</b>		1,095,365		671,879
<b>Returns on investments and servicing of finance</b>				
Interest received	16,452		7,400	
Interest paid	(4,863)		(12,340)	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>		11,589		(4,940)
<b>Taxation</b>		(14,070)		-
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(34,782)		(73,338)	
Receipts from sales of tangible assets	173,749		7,000	
<b>Net cash inflow/(outflow) for capital expenditure</b>		138,967		(66,338)
<b>Equity dividends paid</b>		(22,256)		-
<b>Net cash inflow before management of liquid resources and financing</b>		1,209,595		600,601
<b>Financing</b>				
Repayment of other short term loans	(728,500)		-	
Capital element of hire purchase contracts	(12,353)		(24,296)	
Capital element of finance lease contracts	(10,913)		(10,912)	
<b>Net cash outflow from financing</b>		(751,766)		(35,208)
<b>Increase in cash in the year</b>		457,829		565,393

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit to net cash inflow from operating activities		2003	2002
			£	£
	Operating profit		590,014	495,380
	Depreciation of tangible assets		57,895	65,527
	Profit/(loss) on disposal of tangible assets		(5,650)	12,243
	Decrease in stocks		412,948	99,971
	(Increase)/decrease in debtors		(626,353)	386,968
	Increase/(decrease) in creditors within one year		666,511	(388,210)
	Net cash inflow from operating activities		1,095,365	671,879

2	Analysis of net funds	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	777,603	457,829	-	1,235,432
	Bank overdrafts	(189)	-	-	(189)
		777,414	457,829	-	1,235,243
	Finance leases	(25,679)	23,266	-	(2,413)
	Debts falling due within one year	(728,500)	728,500	-	-
	Net funds	23,235	1,209,595	-	1,232,830

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	Increase in cash in the year	457,829	565,393
	Cash outflow from decrease in debt	751,766	35,208
	Movement in net funds in the year	1,209,595	600,601
	Opening net funds/(debt)	23,235	(577,366)
	Closing net funds	1,232,830	23,235

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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### 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 2003. 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.

#### 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 2003

### 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

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.

#### 1.12 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 Operating profit	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation of tangible assets	57,895	65,527
Loss on disposal of tangible assets	-	12,243
Operating lease rentals	35,800	35,800
Auditors' remuneration (company £4,000; 2002: £4,000)	14,600	15,674
Remuneration of auditors for non-audit work	5,750	8,250
and after crediting:		
Rents receivable	14,209	13,611
Government grants	-	1,515
Profit on disposal of tangible assets	(5,650)	-

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

<b>4</b>	<b>Interest payable</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	2,397	4,556
	On other loans wholly repayable within 5 years	-	3,483
	Lease finance charges	2,466	4,301
		<u>4,863</u>	<u>12,340</u>
<b>5</b>	<b>Taxation</b>		
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax	49,651	18,496
	Adjustment for prior years	(4,426)	-
	<b>Current tax charge</b>	<u>45,225</u>	<u>18,496</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>636,603</u>	<u>490,440</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.70% (2002: 25.12%)	<u>138,143</u>	<u>123,199</u>
	Effects of:		
	Non deductible expenses	5,727	6,059
	Depreciation add back	3,742	17,425
	Capital allowances	(20,175)	(32,707)
	Tax losses utilised	(94,717)	(98,016)
	Adjustments to previous periods	(4,426)	-
	Chargeable disposals	15,311	-
	Other tax adjustments	1,620	2,536
		<u>(45,225)</u>	<u>(18,496)</u>
	<b>Current tax charge</b>	<u>45,225</u>	<u>18,496</u>

The company has estimated losses of £ 600,000 (2002: £ 1,050,000) available for carry forward against future trading profits.

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 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:

	2003 £	2002 £
Holding company's profit/(loss) for the financial year	292,462	(21,570)

### 7 Dividends

	2003 £	2002 £
Ordinary interim paid	22,256	-

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 8 Tangible fixed assets Group

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2003	400,000	93,511	379,617	261,757	1,134,885
Additions	-	-	22,532	12,250	34,782
Disposals	(105,000)	(66,353)	-	-	(171,353)
At 31 December 2003	295,000	27,158	402,149	274,007	998,314
<b>Depreciation</b>					
At 1 January 2003	-	58,830	269,582	170,031	498,443
On disposals	-	(38,254)	-	-	(38,254)
Charge for the year	-	1,761	30,146	25,988	57,895
At 31 December 2003	-	22,337	299,728	196,019	518,084
<b>Net book value</b>					
At 31 December 2003	295,000	4,821	102,421	77,988	480,230
At 31 December 2002	400,000	34,681	110,036	91,725	636,442

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:

	£
<b>Cost</b>	
At 1 January 2003	119,468
Disposals	4,050
At 31 December 2003	115,418
<b>Depreciation based on cost</b>	
At 1 January 2003	-
Charge for the year	-
At 31 December 2003	-
<b>Net book value</b>	
At 31 December 2003	115,418
At 31 December 2002	119,468

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
<b>Net book values</b>				
At 31 December 2003	-	4,337	1,688	6,025
At 31 December 2002	-	5,783	41,618	47,401
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation charge for the year</b>				
31 December 2003	-	1,446	563	2,009
31 December 2002	-	1,927	20,678	22,605
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 8 Tangible fixed assets (continued) Company

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2003	70,000	114,316	184,316
Additions	-	1,506	1,506
At 31 December 2003	70,000	115,822	185,822
<b>Depreciation</b>			
At 1 January 2003	-	92,111	92,111
Charge for the year	-	5,854	5,854
At 31 December 2003	-	97,965	97,965
<b>Net book value</b>			
At 31 December 2003	70,000	17,857	87,857
At 31 December 2002	70,000	22,205	92,205

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

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

	£
<b>Cost</b>	
At 1 January 2003 & at 31 December 2003	81,321
<b>Depreciation based on cost</b>	
At 1 January 2003	-
Charge for the year	-
At 31 December 2003	-
<b>Net book value</b>	
At 31 December 2003	81,321
At 31 December 2002	81,321

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 9 Fixed asset investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2003 & at 31 December 2003	1,944,446
<b>Provisions for diminution in value</b>	
At 1 January 2003 & at 31 December 2003	12,292
<b>Net book value</b>	
At 31 December 2003	1,932,154
At 31 December 2002	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
Harper Group Developments Limited	England & Wales	Ordinary	100

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

	<b>Principal activity</b>
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 2003 Beeches One 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 2003

### 10 Stocks

	Group 2003 £	2002 £	Company 2003 £	2002 £
Long term contract balances:				
- Net cost less foreseeable losses	34,535,372	34,627,080	-	-
- Payments on account	(31,677,668)	(31,356,428)	-	-
	<u>2,857,704</u>	<u>3,270,652</u>	<u>-</u>	<u>-</u>

### 11 Debtors

	Group 2003 £	2002 £	Company 2003 £	2002 £
Trade debtors	1,471,140	650,582	5,926	9,374
Amounts owed by group undertakings	-	-	628,258	421,583
ACT recoverable	12,000	12,000	12,000	12,000
Other debtors	14,633	229,374	5,709	121,549
Prepayments and accrued income	90,204	69,668	21,375	15,651
	<u>1,587,977</u>	<u>961,624</u>	<u>673,268</u>	<u>580,157</u>

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

	2003 £	2002 £	2003 £	2002 £
ACT recoverable	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 12 Creditors : amounts falling due within one year

	Group 2003	2002	Company 2003	2002
	£	£	£	£
Net obligations under finance lease and hire purchase contracts	2,413	23,266	-	-
Trade creditors	4,592,353	4,061,087	11,277	17,179
Amounts owed to group undertakings	-	-	1,832,647	1,961,253
Corporation tax	49,651	18,496	-	-
Taxes and social security costs	209,121	109,741	74,234	66,225
Other creditors	63,634	809,971	52,706	64,000
Accruals and deferred income	171,543	117,841	48,187	21,814
	<u>5,088,715</u>	<u>5,140,402</u>	<u>2,019,051</u>	<u>2,130,471</u>
Debt due in one year or less	<u>-</u>	<u>728,500</u>	<u>-</u>	<u>-</u>

### 13 Creditors : amounts falling due after more than one year

	Group 2003	2002	Company 2003	2002
	£	£	£	£
Net obligations under finance leases and hire purchase agreements	<u>-</u>	<u>2,413</u>	<u>-</u>	<u>-</u>
Between one and two years	-	4,993	-	4,993
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	2,413	23,266	-	-
Repayable between one and five years	-	2,413	-	-
	<u>2,413</u>	<u>25,679</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	<u>(2,413)</u>	<u>(23,266)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,413</u>	<u>-</u>	<u>-</u>

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 14 Pension costs

#### Defined contribution

	2003 £	2002 £
Contributions payable by the company for the year	<u>66,556</u>	<u>60,113</u>

### 15 Share capital

	2003 £	2002 £
<b>Authorised</b>		
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>
 <b>Allotted, called up and fully paid</b>		
1,186 Ordinary shares of £1 each	1,186	1,186
598,830 Deferred shares of £1 each	598,830	598,830
	<u>600,016</u>	<u>600,016</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 2003

### 16 Statement of movements on reserves Group

	Revaluation reserve £	Other reserves £	Profit and loss account £
Balance at 1 January 2003	302,811	497,072	(896,582)
Retained profit for the year	-	-	569,122
Transfer from revaluation reserve to profit and loss account	(23,450)	-	23,450
Balance at 31 December 2003	<u>279,361</u>	<u>497,072</u>	<u>(304,010)</u>

#### Other reserves

##### Capital redemption reserve

Balance at 1 January 2003 & at 31 December 2003	<u>497,072</u>
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#### Company

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2003	6,293	2,193	(19,849)
Retained profit for the year	-	-	270,206
Balance at 31 December 2003	<u>6,293</u>	<u>2,193</u>	<u>250,357</u>

#### Other reserves

##### Capital redemption reserve

Balance at 1 January 2003 & at 31 December 2003	<u>2,193</u>
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# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

17 Reconciliation of movements in shareholders' funds	2003	2002
	£	£
<b>Group</b>		
Profit for the financial year	591,378	471,944
Dividends	(22,256)	-
	<hr/>	<hr/>
Net addition to shareholders' funds	569,122	471,944
Opening shareholders' funds	503,317	31,373
	<hr/>	<hr/>
Closing shareholders' funds	1,072,439	503,317
	<hr/>	<hr/>
	2003	2002
	£	£
<b>Company</b>		
Profit/(Loss) for the financial year	292,462	(21,570)
Dividends	(22,256)	-
	<hr/>	<hr/>
Net addition to/(depletion in) shareholders' funds	270,206	(21,570)
Opening shareholders' funds	588,653	610,223
	<hr/>	<hr/>
Closing shareholders' funds	858,859	588,653
	<hr/>	<hr/>

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 18 Financial commitments

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	41,041	9,700
Between two and five years	-	-	112,144	170,540
In over five years	35,800	35,800	-	-
	<u>35,800</u>	<u>35,800</u>	<u>153,185</u>	<u>180,240</u>

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Between two and five years	-	-	-	19,787
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,787</u>

### 19 Directors' emoluments

	2003	2002
	£	£
Emoluments for qualifying services	207,835	152,303
Company pension contributions to money purchase schemes	10,983	13,381
	<u>218,818</u>	<u>165,684</u>

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

Emoluments for qualifying services	133,438	119,140
Company pension contributions to money purchase schemes	10,983	1,888
	<u>144,421</u>	<u>121,028</u>

# HARPER GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 20 Employees

#### Number of employees

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

	2003 Number	2002 Number
Administration and selling	58	54
Site based	113	112
	.....	.....
	171	166
	.....	.....

#### Employment costs

	£	£
Wages and salaries	3,786,674	3,458,103
Social security costs	347,215	286,698
Other pension costs	66,556	60,113
	.....	.....
	4,200,445	3,804,914
	.....	.....

### 21 Related party transactions

#### Group

P J Underhill is a director and has a beneficial interest in Beeches Two Limited and Beeches Three Limited.

Harper Group Plc has received £82,500 during the year from Beeches Two Limited in respect of administrative expenses.

The group has entered into a contract with Beeches Three Limited for the construction of 11 houses at Bishop's Castle Shropshire for a contract sum of £978,018.

The group occupies property owned by the Harper Group Plc Group Directors Pension Plan. Rent paid in the year was £35,800. P J Underhill and M W Lennock are members and trustees of the Scheme.

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 the group has recharged management services of £2,958 to Coastline Windows Limited.