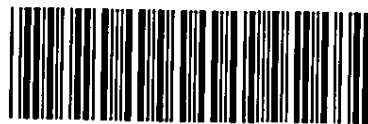


Company Registration No. 1854872 (England and Wales)

HARPER GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

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COMPANIES HOUSE

HARPER GROUP PLC

DIRECTORS AND ADVISERS

Directors	P N Mondon	
	A P Rees	(Appointed 19 March 2007)
	M Harvey	(Appointed 1 December 2007)
Secretary	V Overton	
Company number	1854872	
Registered office	Beeches Road Rowley Regis West Midlands B65 0BB	
Registered auditors	CK Audit No 4 Castle Court 2 Castlegate Way Dudley West Midlands DY1 4RH	
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 2007

The directors present their report and financial statements for the year ended 31 December 2007

Directors

The following directors have held office since 1 January 2007

P N Mondon

P J Underhill

A P Rees

M Harvey

(Deceased 24 January 2007)

(Appointed 19 March 2007)

(Appointed 1 December 2007)

Principal activities and review of the business

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

The Directors are pleased to report an improved years trading in 2007 after the difficulties in 2006. The Groups strong corrective actions in respect of the problem areas have now been fully implemented and the Directors anticipate a continuing return to consistent profitability during 2008.

Regretfully, Peter Underhill, chairman and major shareholder of Harper group PLC, was tragically killed in a skiing accident in January 2007. He is greatly missed although we continue to try and maintain his strong personal ethos of quality, efficiency and integrity within the group.

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to relate to the strong competition within the sector and the general outlook for the UK and regional economies. Risks are reviewed by the directors' and appropriate processes are put in place to monitor and mitigate them.

In the opinion of the directors the financial position of the group is satisfactory at the balance sheet date.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

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.

HARPER GROUP PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 that 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



P N Mondon

Director

3 April 2008

HARPER GROUP PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HARPER GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of Harper Group PLC for the year ended 31 December 2007 set out on pages 5 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 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 opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 group's and the company'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.

HARPER GROUP PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF HARPER GROUP PLC

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



CK Audit

3 April 2008

Chartered Accountants
Registered Auditor

No 4 Castle Court 2
Castlegate Way
Dudley
West Midlands
DY1 4RH

HARPER GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Turnover	2	25,585,551	39,992,083
Cost of sales		(23,601,881)	(40,636,070)
Gross profit/(loss)		1,983,670	(643,987)
Administrative expenses		(2,068,620)	(2,512,186)
Other operating income		23,622	23,798
Operating loss	3	(61,328)	(3,132,375)
Other interest receivable and similar income		73,605	165,682
Interest payable and similar charges	4	(8,583)	(7,708)
Profit/(loss) on ordinary activities before taxation	3	3,694	(2,974,401)
Tax on profit/(loss) on ordinary activities	5	(12,484)	64,274
Loss on ordinary activities after taxation		(8,790)	(2,910,127)

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 2007

	Notes	Group 2007 £	2006 £	Company 2007 £	2006 £
Fixed assets					
Tangible assets	7	286,189	395,612	86,913	250,747
Investments	8	-	-	1,932,154	1,932,154
		<u>286,189</u>	<u>395,612</u>	<u>2,019,067</u>	<u>2,182,901</u>
Current assets					
Stocks	9	3,015,825	5,000,477	-	690,000
Debtors	10	2,254,221	4,347,747	2,964,365	2,326,447
Cash at bank and in hand		1,014,460	3,646,516	150,965	530,548
		<u>6,284,506</u>	<u>12,994,740</u>	<u>3,115,330</u>	<u>3,546,995</u>
Creditors, amounts falling due within one year	11	<u>(7,210,907)</u>	<u>(14,021,774)</u>	<u>(2,877,653)</u>	<u>(3,669,521)</u>
Net current liabilities		<u>(926,401)</u>	<u>(1,027,034)</u>	<u>237,677</u>	<u>(122,526)</u>
Total assets less current liabilities		<u>(640,212)</u>	<u>(631,422)</u>	<u>2,256,744</u>	<u>2,060,375</u>
Capital and reserves					
Called up share capital	14	599,508	599,508	599,508	599,508
Revaluation reserve	15	317,983	699,782	40,000	421,799
Other reserves	15	497,580	497,580	2,701	2,701
Profit and loss account	15	(2,055,283)	(2,428,292)	1,614,535	1,036,367
Shareholders' funds	16	<u>(640,212)</u>	<u>(631,422)</u>	<u>2,256,744</u>	<u>2,060,375</u>

Approved by the Board and authorised for issue on 3 April 2008



P N Mondon
Director

HARPER GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	£	£
Net cash (outflow)/inflow from operating activities	(3,674,397)	1,771,089
Returns on investments and servicing of finance		
Interest received	73,556	165,682
Interest paid	(8,583)	(7,708)
Net cash inflow for returns on investments and servicing of finance	64,973	157,974
Taxation	64,274	(237,568)
Capital expenditure		
Payments to acquire tangible assets	(98,106)	(68,161)
Receipts from sales of tangible assets	261,200	11,760
Net cash inflow/(outflow) for capital expenditure	163,094	(56,401)
Net cash (outflow)/inflow before management of liquid resources and financing	(3,382,056)	1,635,094
Financing		
Purchase of own shares	-	(260,476)
New debenture loan	750,000	-
Net cash inflow/(outflow) from financing	750,000	(260,476)
Decrease in cash in the year	(2,632,056)	1,374,618

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

1	Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	2007		2006	
		£		£	
	Operating loss	(61,328)		(3,132,375)	
	Depreciation of tangible assets	67,913		102,722	
	Profit/(loss) on disposal of tangible assets	(121,535)		14,548	
	Decrease/(increase) in stocks	1,984,652		(765,755)	
	Decrease in debtors	2,029,252		(422,367)	
	(Decrease)/Increase in creditors within one year	(7,573,351)		5,974,316	
	Net cash (outflow)/inflow from operating activities	(3,674,397)		1,771,089	
2	Analysis of net funds	1 January 2007	Cash flow	Other non-cash changes	31 December 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	3,646,516	(2,632,056)	-	1,014,460
	Debts falling due within one year	-	(750,000)	-	(750,000)
	Net funds	3,646,516	(3,382,056)	-	264,460
3	Reconciliation of net cash flow to movement in net debt	2007		2006	
		£		£	
	(Decrease)/increase in cash in the year		(2,632,056)		1,374,429
	Cash inflow from increase in debt		(750,000)		-
	Movement in net funds in the year		(3,382,056)		1,374,429
	Opening net funds		3,646,516		2,272,087
	Closing net funds		264,460		3,646,516

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

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 2007. 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.

1.3 Turnover and profits

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

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	10% straight line
Plant and machinery	25% reducing balance
Fixtures, fittings & equipment	25% reducing balance
Motor vehicles	25% reducing balance

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

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

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.

1.7 Stock

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

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies (continued)

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 taxation 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.

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 loss	2007 £	2006 £
Operating loss is stated after charging		
Depreciation of tangible assets	67,913	102,722
Loss on disposal of tangible assets	811	14,548
Operating lease rentals	42,760	39,250
Auditors' remuneration (company £3,725, 2006 £3,500)	15,075	16,000
Remuneration of auditors for non audit work (accounting and tax compliance services)	4,750	4,525
and after crediting		
Rents receivable	23,543	23,479
Profit on disposal of tangible assets	(122,346)	-

4 Interest payable	2007 £	2006 £
On bank loans and overdrafts	739	244
On overdue tax	-	7,464
Other interest	7,844	-
	8,583	7,708

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

5	Taxation	2007 £	2006 £
	Domestic current year tax		
	U K corporation tax	12,484	(64,274)
	Current tax charge	<u>12,484</u>	<u>(64,274)</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	<u>3,694</u>	<u>(2,974,401)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.75% (2006 - 30.00%)	<u>730</u>	<u>(892,320)</u>
	Effects of		
	Non deductible expenses	11,232	16,790
	Depreciation add back	(8,307)	35,182
	Capital allowances	(11,620)	(29,861)
	Losses carried forward in subsidiary	-	805,935
	Chargeable disposals	22,521	-
	Other tax adjustments	(2,072)	-
		<u>11,754</u>	<u>828,046</u>
	Current tax charge	<u>12,484</u>	<u>(64,274)</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:

	2007 £	2006 £
Holding company's profit for the financial year	<u>196,369</u>	<u>473,305</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

7 Tangible fixed assets Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 2007	75,000	46,137	273,468	434,707	107,672	936,984
Additions	-	63,417	-	34,738	-	98,155
Disposals	-	-	(263,465)	-	(11,000)	(274,465)
At 31 December 2007	75,000	109,554	10,003	469,445	96,672	760,674
Depreciation						
At 1 January 2007	-	9,182	108,121	370,373	53,696	541,372
On disposals	-	-	(125,811)	-	(8,989)	(134,800)
Charge for the year	-	7,473	24,548	22,504	13,388	67,913
At 31 December 2007	-	16,655	6,858	392,877	58,095	474,485
Net book value						
At 31 December 2007	75,000	92,899	3,145	76,568	38,577	286,189

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Tangible fixed assets (continued)

Company

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2007	75,000	261,665	126,489	463,154
Additions	-	-	1,215	1,215
Disposals	-	(261,665)	-	(261,665)
At 31 December 2007	75,000	-	127,704	202,704
Depreciation				
At 1 January 2007	-	100,511	111,896	212,407
On disposals	-	(124,011)	-	(124,011)
Charge for the year	-	23,500	3,895	27,395
At 31 December 2007	-	-	115,791	115,791
Net book value				
At 31 December 2007	75,000	-	11,913	86,913

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

8 Fixed asset investments

Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2007 & at 31 December 2007	1,932,154
Net book value	
At 31 December 2007	1,932,154
At 31 December 2006	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

9 Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Long term contract balances				
- Net cost less foreseeable losses	64,629,667	57,748,239	-	-
- Payments on account	(61,733,237)	(53,557,697)	-	-
Finished goods and goods for resale	119,395	809,935	-	690,000
	<u>3,015,825</u>	<u>5,000,477</u>	<u>-</u>	<u>690,000</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

10 Debtors

	Group 2007 £	2006 £	Company 2007 £	2006 £
Trade debtors	977,141	1,709,354	11,131	72,739
Amounts owed by group undertakings	-	-	1,940,784	-
Corporation tax	-	64,274	-	-
Other debtors	1,115,070	2,174,738	950,000	1,979,451
Prepayments and accrued income	162,010	399,381	62,450	274,257
	<u>2,254,221</u>	<u>4,347,747</u>	<u>2,964,365</u>	<u>2,326,447</u>

11 Creditors amounts falling due within one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Debenture loans	750,000	-	750,000	-
Trade creditors	6,003,940	13,417,108	15,660	17,800
Amounts owed to group undertakings	-	-	1,978,718	3,343,946
Corporation tax	12,484	-	8,336	-
Taxes and social security costs	162,095	361,912	109,478	271,805
Other creditors	175,754	56,605	293	13,207
Accruals and deferred income	106,634	186,149	15,168	22,763
	<u>7,210,907</u>	<u>14,021,774</u>	<u>2,877,653</u>	<u>3,669,521</u>
Debt due in one year or less	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>

12 Provisions for liabilities and charges

The subsidiary companies are co-operating with the OFT in connection with an investigation into collusive tendering in England. The accounts do not include any provision for financial penalties that might arise because these cannot be quantified at this time.

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

13 Pension costs

Defined contribution

	2007 £	2006 £
Contributions payable by the group for the year	<u>50,161</u>	<u>65,452</u>

14 Share capital

	2007 £	2006 £
Authorised		
2,300 Ordinary shares of each	2,300	2,300
598,830 Deferred shares of each	598,830	598,830
748 Convertible "A" shares of each	748	748
331 Convertible "B" shares of each	331	331
	<u>602,209</u>	<u>602,209</u>
Allotted, called up and fully paid		
678 Ordinary shares of each	678	678
598,830 Deferred shares of each	598,830	598,830
	<u>599,508</u>	<u>599,508</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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

15 Statement of movements on reserves Group

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2007	699,782	497,580	(2,428,292)
Loss for the year	-	-	(8,790)
Transfer from revaluation reserve to profit and loss account	(381,799)	-	381,799
Balance at 31 December 2007	<u>317,983</u>	<u>497,580</u>	<u>(2,055,283)</u>

Other reserves

Capital redemption reserve

Balance at 1 January 2007 & at 31 December 2007 497,580

Company

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2007	421,799	2,701	1,036,367
Profit for the year	-	-	196,369
Transfer from revaluation reserve to profit and loss account	(381,799)	-	381,799
Balance at 31 December 2007	<u>40,000</u>	<u>2,701</u>	<u>1,614,535</u>

Other reserves

Capital redemption reserve

Balance at 1 January 2007 & at 31 December 2007 2,701

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

16 Reconciliation of movements in shareholders' funds	2007	2006
Group	£	£
Loss for the financial year	(8,790)	(2,910,127)
Other recognised gains and losses	-	421,799
Purchase of own shares	-	(260,476)
Net depletion in shareholders' funds	(8,790)	(2,748,804)
Opening shareholders' funds	(631,422)	2,117,382
Closing shareholders' funds	(640,212)	(631,422)
Company	2007	2006
	£	£
Profit for the financial year	196,369	473,305
Other recognised gains and losses	-	421,799
Purchase of own shares	-	(260,476)
Net addition to shareholders' funds	196,369	634,628
Opening shareholders' funds	2,060,375	1,425,747
Closing shareholders' funds	2,256,744	2,060,375

17 Financial commitments

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date				
Within one year	-	-	56,808	52,037
Between two and five years	8,200	-	153,404	201,830
In over five years	39,250	39,250	-	-
	<u>47,450</u>	<u>39,250</u>	<u>210,212</u>	<u>253,867</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

18 Directors' emoluments	2007	2006
	£	£
Emoluments for qualifying services	152,480	142,002
Company pension contributions to money purchase schemes	9,996	9,997
	<u>162,476</u>	<u>151,999</u>
 19 Employees		
Number of employees		
The average monthly number of employees (including directors) during the year was		
	2007	2006
	Number	Number
Administration and Selling	46	65
Site Based	101	128
	<u>147</u>	<u>193</u>
 Employment costs	2007	2006
	£	£
Wages and salaries	3,929,272	4,803,306
Social security costs	380,580	461,741
Other pension costs	50,161	65,452
	<u>4,350,751</u>	<u>5,319,080</u>

HARPER GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

20 Related party transactions

Company

P N Mondon and the Estate of P J Underhill have beneficial interests in Beeches One Limited and Redbrick Estates Limited. PN Mondon is a director of each of the companies.

Other debtors in 2006 included a loan of £1,001,260 to Beeches One Limited, which has been fully repaid in the year to 31 December 2007. Interest was payable at 1.5% above Barclays Bank plc base rate.

The amount outstanding on loans to Redbrick Estates Limited at the balance sheet date is £950,000. Interest is payable at 1.0% above Barclays Bank plc rate.

P N Mondon is a director and shareholder of Coastline Windows Limited. The company made management charges of £5,250 to Coastline Windows Limited, and £1,175 was owing at 31 December 2007.

The Estate of P J Underhill has a beneficial interest in Beeches Two Limited, ICC (One) Limited and Beeches Three Limited. The company charged Beeches Two Limited project management fees of £110,000 and £50,000 was owing at 31 December 2007 in respect of these transactions. The company sold property at a market value of £690,000 to Beeches Three Limited.

The company sold plant and machinery for £260,000 to ICC (One) Limited.

Other creditors due within 1 year includes a loan of £750,000 from Mrs S I Underhill. Interest of £9,500 has been charged on this loan.

Other group companies

The Estate of P J Underhill has beneficial interests in De Greys Limited, Beeches Two Limited and Beeches Three Limited. The following transactions took place,

Group companies made sales of £12,428 to De Greys Limited. At the balance sheet date, £nil was owing from De Greys Limited.

Group companies made sales of £1,381,082 to Beeches Two Limited and £19,052 to Beeches Three Limited. At the balance sheet date, £130 was due from Beeches Three Limited and £104 from Beeches Two Limited.

The company occupies property owned by the Beeches Three Limited. Rent paid in the year amounted to £3,510.

A P Rees is a director of Hereford and Gloucestershire Construction Safety Association Limited (HGCSA). Group companies made purchases of £9,594 from HGCSA Limited. At the balance sheet date, £1,515 was owed to HGCSA Limited.