

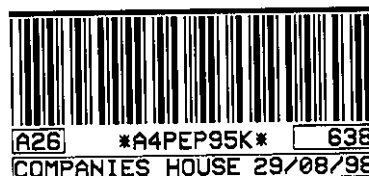
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HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

31 JANUARY 1998

Clement Keys  
CHARTERED ACCOUNTANTS



**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

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**The following Appendix does not form part of the statutory accounts**

Detailed trading and profit and loss account	1
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**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**COMPANY INFORMATION**

**31 January 1998**

<b>Directors</b>	P J Underhill J S Harper W P Rees J D Harper M W Lennock
<b>Secretary</b>	M W Lennock
<b>Registered office</b>	Beeches Road Rowley Regis West Midlands B65 0BB
<b>Bankers</b>	Barclays Bank Plc Dudley Business Centre 47 High Street Dudley West Midlands DY1 1PP
<b>Solicitors</b>	George Green & Co 195 High Street Cradley Heath West Midlands B64 5HW
<b>Auditors</b>	Clement Keys Chartered Accountants Swinford House Albion Street Brierley Hill West Midlands DY5 3EL

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT**

31 January 1998

The directors present their report and the audited financial statements of the group for the year ended 31 January 1998.

**Principal activity**

The group's principal activities throughout the year were construction and civil engineering, industrial and residential property development, contract painting and decorating and property maintenance and refurbishment.

**Business review and future prospects**

The directors are pleased to report the fourth consecutive profit since the financial reorganisation in 1994.

The financial position at the balance sheet date is considered satisfactory.

**Profit, dividends and appropriations**

The results for the year are shown in the profit and loss account on page 5.

The directors do not propose payment of a dividend, the profit for the year is to be transferred to reserves.

**Fixed assets**

Changes in fixed assets during the year are set out in note 9 to the accounts.

**Market value of land and buildings**

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts

**Post balance sheet events**

On 16 April 1998 the company sold the whole of its interest in the issued share capital of Warley Painters Limited to Beeches Construction Group Limited for a cash consideration of £40,000.

Beeches Construction Group Limited is owned by a group of investors which includes the management of Warley Painters Limited and P J Underhill and M W Lennock .

**Payments to suppliers**

The group agrees payments terms with its suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not have a standard or code which deals specifically with the payment of suppliers.

Trade creditor days of the company for the year ended 31 January 1998 were 28 days based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by suppliers.

continued.....

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT  
(continued)**

31 January 1998

**Directors and their interests**

The directors serving on the board throughout the year are shown on page 1.

P J Underhill retires from the board by rotation at the Annual General Meeting and being eligible, offers himself for re-election.

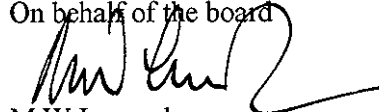
The directors at 31 January 1998 had the following interests in the share capital of the company:

	At 31 January 1998				At 1 February 1997			
	Ordinary £1 shares	Deferred £1 shares	Convertible £1 A Ord shares	Convertible £1 B Ord shares	Ordinary £1 shares	Deferred £1 shares	Convertible £1 A Ord shares	Convertible £1 B Ord shares
P J Underhill	500	-	-	-	500	-	-	-
J S Harper	234	179,649	731	331	234	179,649	731	331
W P Rees	-	-	-	-	-	-	-	-
J D Harper	195	99,805	-	-	195	99,805	-	-
M W Lennox	500	-	-	-	500	-	-	-

**Auditors**

Clement Keys have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



M W Lennox  
Secretary

Beeches Road  
Rowley Regis  
West Midlands  
B65 0BB

21 August 1998

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that year. In preparing those financial statements we are required to:

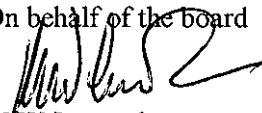
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

21 August 1998

On behalf of the board



M W Lennock

Director

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the financial statements on pages 5 to 23 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

**Respective responsibilities of directors and auditors**

As described above the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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 affairs of the company and the group as at 31 January 1998 and of the group's profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Brierley Hill  
21 August 1998



Clement Keys  
Chartered Accountants  
Registered Auditor

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**GROUP PROFIT AND LOSS ACCOUNT**

**Year ended 31 January 1998**

	Notes	£	1998 £	£	1997 £
<b>Turnover</b>	2				
Continuing operations		10,557,011		11,255,692	
Discontinued activities		2,141,749		1,835,218	
			12,698,760		13,090,910
<b>Cost of sales</b>	3		10,611,124		10,996,000
<b>Gross profit</b>			2,087,636		2,094,910
Administrative expenses	3	2,104,645		1,955,903	
Other operating income	3	(17,469)		(7,541)	
			2,087,176		1,948,362
<b>Operating profit</b>	4				
Continuing operations		12,994		325,349	
Discontinued activities		(12,534)		(178,801)	
			460		146,548
Exceptional items	5		95,615		161,821
Interest received			3,451		19,878
Interest payable	7		(50,778)		(99,046)
<b>Profit from ordinary activities before taxation and after taxation being profit retained for the year</b>	17a		48,748		229,201

Movements in reserves are included in the notes to the financial statements.



**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**GROUP STATEMENT OF HISTORICAL COST PROFITS**

For the year ended 31 January 1998

	1998 £	1997 £
Profit on ordinary activities before taxation	48,748	229,201
Realised revaluation surplus	<u>186,668</u>	<u>62,534</u>
Historical cost profit on ordinary activities before taxation	<u>235,416</u>	<u>291,735</u>
Historical cost profit retained	<u>235,416</u>	<u>291,735</u>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**GROUP BALANCE SHEET**

as at 31 January 1998

	Notes	£	1998 £	£	1997 £
<b>Fixed assets</b>					
Tangible assets	9a		660,455		1,055,718
<b>Current assets</b>					
Stock	11	1,339,453		1,613,453	
Debtors	12	1,733,717		984,143	
Cash	13	1,282,614		915,765	
			<u>4,355,784</u>	<u>3,513,361</u>	
<b>Creditors: amounts falling due within one year</b>	14	(4,319,016)		(3,922,896)	
<b>Net current assets/(liabilities)</b>			<u>36,768</u>		<u>(409,535)</u>
<b>Total assets less current liabilities</b>			<u>697,223</u>		<u>646,183</u>
<b>Creditors: amounts falling due after more than one year</b>	15		488,186		485,894
<b>Capital and reserves</b>					
Called up share capital	16	602,092		602,092	
Capital reserves	17a	497,260		497,260	
Revaluation reserve	17a	228,853		469,091	
Profit and loss account	17a	(1,119,168)		(1,408,154)	
<b>Total shareholders' funds</b>	17a		<u>209,037</u>		<u>160,289</u>
			<u>697,223</u>		<u>646,183</u>
Shareholders funds are attributable to:					
Equity shareholders			(390,872)		(439,620)
Non-equity shareholders			599,909		599,909
			<u>209,037</u>		<u>160,289</u>

The financial statements on pages 5 to 23 were approved by the board of directors on 21 August 1998.

P J Underhill

Director

## HARPER GROUP PLC

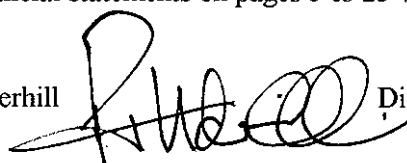
## BALANCE SHEET

as at 31 January 1998

	Notes	£	1998 £	£	1997 £
<b>Fixed assets</b>					
Tangible assets	9b		119,974		171,699
Investments	10		2,089,291		2,089,291
			<u>2,209,265</u>		<u>2,260,990</u>
<b>Current assets</b>					
Debtors	12	897,074		704,668	
Cash at bank and in hand	13	155,991		223,763	
			<u>1,053,065</u>	<u>928,431</u>	
<b>Creditors: amounts falling due within one year</b>	14	1,910,626		(1,842,374)	
<b>Net current liabilities</b>			<u>(857,561)</u>		<u>(913,943)</u>
<b>Total assets less current liabilities</b>			<u>1,351,704</u>		<u>1,347,047</u>
<b>Creditors: amounts falling due after more than one year</b>	15		(404,000)		(404,000)
<b>Capital and reserves</b>					
Called up share capital	16	602,092		602,092	
Other reserves	17b	117		117	
Profit and loss account	17b	345,495		340,838	
<b>Total shareholders' funds</b>	17b		<u>947,704</u>		<u>943,047</u>
			<u>1,351,704</u>		<u>1,347,047</u>
Shareholders fund are attributable to:					
Equity shareholders			347,795		343,138
Non-equity shareholders			599,909		599,909
			<u>947,704</u>		<u>943,047</u>

The financial statements on pages 5 to 23 were approved by the board of directors on 21 August 1998.

P J Underhill



Director

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**GROUP CASH FLOW STATEMENT**

Year ended 31 January 1998

	Note	1998	1997
		£	£
<b>Net cash flow from operating activities</b>	24	119,297	740,562
<b>Returns on investments and servicing of finance</b>			
Interest received		3,451	19,878
Interest paid		(38,582)	(91,957)
Hire purchase interest		(12,196)	(7,089)
<b>Net servicing of finance</b>		(47,327)	(79,168)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(45,645)	(11,207)
Sale of tangible fixed assets		535,006	140,179
		489,361	128,972
<b>Management of liquid resources</b>			
Reduction in performance bond deposits		67,005	156,917
<b>Financing</b>			
Repayment of secured loans		-	(498,000)
Capital element of finance lease rentals		(81,681)	(64,450)
		(81,681)	(562,450)
<b>Increase in cash</b>	25	546,655	384,833

**Reconciliation of net cash flow to movement in net debt (Note 25)**

	1998	1997
	£	£
Increase in cash for the year	546,655	384,833
Cash from decrease in liquid resources	(67,005)	(156,917)
Cash outflow from financing	81,681	562,450
<b>Changes in net debt resulting from cash flows</b>	561,331	790,366
New hire purchase contracts	92,319	114,863
Change in net debt	469,012	675,503
Net debt at 1 February 1997	(801,574)	(1,477,077)
<b>Net debt at 31 January 1998</b>	(332,562)	(801,574)

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**1 Accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

**Basis of consolidation**

The group accounts consolidate the accounts of the company and its subsidiary undertakings made up to a date coterminous with the financial year end of the company. The results of subsidiary undertakings acquired or disposed of during a financial year are included in the group results as from or up to their respective date of acquisition or disposal.

The net assets of newly acquired subsidiary undertakings are incorporated into the group accounts on the basis of their fair value to the group as at the date of acquisition. Goodwill, being the excess of consideration over that fair value is written off to reserves on consolidation. The profit or loss on disposal of a subsidiary undertaking is stated after taking into account any goodwill previously written off to reserves.

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

**Depreciation**

Depreciation is provided at the following annual rates to write off the cost less the estimated residual value of the assets over their expected useful economic lives once the asset is brought into use:

Freehold buildings	2% straight line
Leasehold property	Straight line over the term of the lease
Motor vehicles	25% reducing balance
Plant and equipment	25% reducing balance
Office equipment, fixtures and fittings	10 - 25% reducing balance

**Stock**

Stocks and work in progress are valued at the lower of first in first out cost, and estimated net realisable value.

Land stock is valued at the lower of cost and estimated net realisable value.

Where a contract is deemed to be a long term contract, work in progress is valued at direct cost plus the appropriate proportion of overheads and where the contract can be reliably assessed, the proportion of the expected profit earned to date. Where any contracts are expected to be unprofitable, full provision is made for anticipated losses.

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**1 Accounting policies (continued)**

**Deferred taxation**

Deferred taxation is provided on income and expenditure dealt with for taxation purposes in periods different from those for accounts purposes to the extent that the reduction in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future.

The provision is computed under the liability method and is stated at the rate of corporation tax expected to apply when the tax becomes payable.

**Leasing (and hire purchase contracts)**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Payments under an arrangement which is in substance of a rental nature (operating lease) are charged to profit and loss account on a straight line basis over the operating lease term.

**Pensions**

The group operates defined contribution schemes.

The assets of the schemes are held separately from those of the group in independently administered funds. Contributions payable by the group are charged to the profit and loss account in the period to which they relate.

**2 Turnover**

Turnover represents the net amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**3 Analysis of cost of sales and operating expenses**

	Cost of sales £	Administrative expenses £	Other operating income £
<b>1998</b>			
Continuing	8,912,686	1,648,800	(17,469)
Discontinued	1,698,438	455,845	-
	<hr/>	<hr/>	<hr/>
Total	10,611,124	2,104,645	(17,469)
	<hr/>	<hr/>	<hr/>
<b>1997</b>			
Continuing	9,469,174	1,468,170	(7,541)
Discontinued	1,526,826	487,733	-
	<hr/>	<hr/>	<hr/>
Total	10,996,000	1,955,903	(7,541)
	<hr/>	<hr/>	<hr/>

**4 Operating profit**

	1998 £	1997 £
Operating profit is stated after charging/(crediting)		
Depreciation		
Owned assets	33,142	65,615
Assets held under hire purchase contracts	60,694	38,359
Operating lease rentals - plant and machinery	83,630	70,280
Auditors' remuneration - audit services	18,000	30,000
- other services	10,000	5,000
Rent receivable	(17,469)	(7,541)
	<hr/>	<hr/>

**5 Exceptional items**

	1998 £	1997 £
Profit on sale of fixed assets in continuing operations	95,615	60,128
Profit on disposal of subsidiaries (discontinued)	-	101,693
	<hr/>	<hr/>
	95,615	161,821
	<hr/>	<hr/>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**6 Directors and employees**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
<b>Staff costs</b>		
Wages and salaries	2,061,987	2,703,259
Social security costs	189,325	224,571
Pension costs	43,684	17,775
	<u>2,294,996</u>	<u>2,945,605</u>
 <b>Average number of employees by category</b>	 <b>No</b>	 <b>No</b>
Administration and selling	32	49
Works	113	171
	<u>145</u>	<u>220</u>
 <b>Directors' remuneration</b>	 <b>£</b>	 <b>£</b>
Emoluments	147,019	132,777
Company contributions to money purchase benefit schemes	8,010	2,663
	<u>155,029</u>	<u>135,440</u>

Retirement benefits are accruing to three directors under the money purchase benefit schemes operated by the parent undertaking.

**7 Interest payable and similar charges**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
On bank loans, overdrafts and other loans wholly repayable within 5 years	38,582	91,957
On hire purchase contracts	12,196	7,089
	<u>50,778</u>	<u>99,046</u>

**8 Taxation**

Group companies have tax losses available for offset use in future accounting periods of approximately £2,000,000.



**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 January 1998

**9a Tangible fixed assets - Group**

	Freehold land and buildings £	Motor vehicles £	Plant and equipment £	Office equipment, fixtures and fittings £	Total £
<b>Cost or valuation</b>					
At 1 February 1997	801,304	546,847	348,944	248,071	1,945,166
Additions	-	78,216	817	58,931	137,964
Disposals	(449,426)	(87,322)	(75,192)	(52,841)	(664,781)
At 31 January 1998	<u>351,878</u>	<u>537,741</u>	<u>274,569</u>	<u>254,161</u>	<u>1,418,349</u>
<b>Depreciation</b>					
At 1 February 1997	66,437	361,942	285,410	175,659	889,448
Charged in year	3,252	56,721	14,681	19,182	93,836
Disposals	(32,380)	(75,152)	(69,564)	(48,294)	(225,390)
At 31 January 1998	<u>37,309</u>	<u>343,511</u>	<u>230,527</u>	<u>146,547</u>	<u>757,894</u>
<b>Net book value</b>					
At 31 January end	<u>314,569</u>	<u>194,230</u>	<u>44,042</u>	<u>107,614</u>	<u>660,455</u>
At 31 January start	<u>734,867</u>	<u>184,905</u>	<u>63,534</u>	<u>72,412</u>	<u>1,055,718</u>

The net book value of tangible fixed assets of £660,455 (1997 £1,055,718) includes £223,291 (1997 £149,139) in respect of assets held under hire purchase contracts.

Cost or valuation at 31 January 1998 is represented by:

	Freehold land and buildings £	Motor vehicles £	Plant and equipment £	Office equipment, fixtures and fittings £	Total £
Valuation in 1988	267,000	-	-	-	267,000
Cost	84,878	537,741	274,569	254,161	1,151,349
	<u>351,878</u>	<u>537,741</u>	<u>274,569</u>	<u>254,161</u>	<u>1,418,349</u>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 January 1998

**9a Tangible fixed assets - Group (continued)**

On a historical cost basis freehold land and buildings would have been included at:

	1998 £	1997 £
Cost	69,455	332,213
Depreciation	17,143	66,437
Net book value	<u>52,312</u>	<u>265,776</u>

**9b Tangible fixed assets - parent undertaking**

	Fixtures and fittings £	Motor vehicles £	Land and buildings £	Total £
<b>Cost</b>				
At 1 February 1997	128,360	28,442	135,888	292,690
From subsidiary undertaking	-	17,266	-	17,266
Disposals	(43,149)	(28,442)	(54,567)	(126,158)
At 31 January 1998	<u>85,211</u>	<u>17,266</u>	<u>81,321</u>	<u>183,798</u>
<b>Depreciation</b>				
At 1 February 1997	79,855	23,954	17,182	120,991
Charged in year	11,072	719	1,752	13,543
From subsidiary undertaking	-	1,079	-	1,079
Disposals	(41,405)	(23,954)	(6,430)	(71,789)
At 31 January 1998	<u>49,522</u>	<u>1,798</u>	<u>12,504</u>	<u>63,824</u>
<b>Net book value</b>				
At 31 January 1998	<u>35,689</u>	<u>15,468</u>	<u>68,817</u>	<u>119,974</u>
At 1 February 1997	<u>48,505</u>	<u>4,488</u>	<u>118,706</u>	<u>171,699</u>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**10 Fixed asset investments**

<b>Cost</b>	<b>Company £</b>
At 1 February 1997 and at 31 January 1998	<u>2,089,291</u>

The parent undertaking owns the whole of the issued share capital of the following undertakings, all registered in England and Wales.

<b>Company</b>	<b>Activity</b>
Harper Group Construction Limited	Civil engineering and construction
J Harper & Sons (Leominster) Limited	Civil engineering and construction
Warley Painters Limited	Decorating, painting, and property refurbishment
Harper Group Development Limited	Property developers

On 16 April 1998 the parent undertaking sold its interest in Warley Painters Limited for a cash consideration of £40,000. (See Note 23)

On 31 January 1998, the following companies were wholly owned subsidiaries of Harper Group Construction Limited and registered in England and Wales.

<b>Company</b>	<b>Activity</b>
Harper Homes Limited	Housing developers
Harper Design and Build Limited	Design and build
Harper Industrial Developments Limited	Industrial developers
J Harper & Sons (Anglia) Limited	Dormant
J Harper & Sons (Blackheath) Limited	Dormant
Harper Housing Limited	Dormant

**11 Stock and work in progress**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Work in progress	18,388,700	13,998,007	-	-
Progress payments received	(17,073,992)	(12,468,931)	-	-
	<u>1,314,708</u>	<u>1,529,076</u>	<u>-</u>	<u>-</u>
Development land	-	52,457	-	-
Stock	24,745	31,920	-	-
	<u>1,339,453</u>	<u>1,613,453</u>	<u>-</u>	<u>-</u>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**12 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>				
Trade debtors	1,352,427	811,803	44,261	26,768
Amounts owed by group companies	-	-	782,655	641,378
Other debtors	276,678	108,666	55,505	17,920
Prepayments	92,612	51,674	2,653	6,602
	<u>1,721,717</u>	<u>972,143</u>	<u>885,074</u>	<u>692,668</u>
<b>Due in more than one year</b>				
Advance corporation tax recoverable	12,000	12,000	12,000	12,000
	<u>1,733,717</u>	<u>984,143</u>	<u>897,074</u>	<u>704,668</u>

**13 Cash at bank and in hand**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank and cash balances	1,126,623	692,769	-	767
Deposits	155,991	222,996	155,991	222,996
	<u>1,282,614</u>	<u>915,765</u>	<u>155,991</u>	<u>223,763</u>

Deposits are interest earning bank deposits held by De Montfort Insurance Plc in support of performance bonds entered into by subsidiary companies.

**HARPER GROUP PLC  
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**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**14 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdrafts	1,047,015	1,159,816	721,789	813,857
Trade creditors	2,491,039	2,249,432	22,174	17,240
Amounts owed to group companies	-	-	1,036,690	905,840
Other creditors	138,301	81,307	12,773	17,271
Other taxation and social security	284,922	162,519	64,845	39,500
Accruals	277,764	198,193	52,355	48,666
Obligations under hire purchase contracts	79,975	71,629	-	-
	<u>4,319,016</u>	<u>3,922,896</u>	<u>1,910,626</u>	<u>1,842,374</u>

Overdrafts are secured on freehold land and buildings included in both tangible fixed assets and stock and work in progress.

**15 Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Harper Group Pension Fund	220,000	220,000	220,000	220,000
Directors' loans	104,000	104,000	104,000	104,000
Bank loans	80,000	80,000	80,000	80,000
Obligations under hire purchase contracts	84,186	81,894	-	-
	<u>488,186</u>	<u>485,894</u>	<u>404,000</u>	<u>404,000</u>

The loan from the Trustees of the Harper Group Pension Fund is repayable upon notice of 367 days being given and interest is charged at a commercial rate.

Certain freehold properties included in work in progress are charged to secure loans from P J Underhill of £67,000 (1997 £67,000).

Amounts of £103,000 (1997 £103,000) included in directors loans are also secured by floating charges on the assets of group companies

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**16 Share capital**

	1998		1997	
	Number of shares	£	Number of shares	£
<b>Authorised</b>				
Ordinary Shares of £1 each	2,183	2,183	2,183	2,183
Deferred £1 Shares	598,830	598,830	598,830	598,830
Convertible £1 "A" Ordinary Shares	748	748	748	748
Convertible £1 "B" Ordinary Shares	331	331	331	331
	<u>602,092</u>	<u>602,092</u>	<u>602,092</u>	<u>602,092</u>
<b>Allotted, called up and fully paid</b>				
<b>Equity share capital</b>				
Ordinary shares of £1 each	2,183	2,183	2,183	2,183
<b>Non Equity share capital</b>				
Deferred £1 Shares	598,830	598,830	598,830	598,830
Convertible £1 "A" Ordinary Shares	748	748	748	748
Convertible £1 "B" Ordinary Shares	331	331	331	331
	<u>602,092</u>	<u>602,092</u>	<u>602,092</u>	<u>602,092</u>

The Deferred £1 Shares, the Convertible £1 "A" Ordinary Shares and Convertible £1 "B" Ordinary Shares are entitled to an aggregate cash dividend of £1 in a period only after a dividend of not less than £10,000,000 has been distributed to holders of Ordinary £1 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 ordinary 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  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 January 1998

**17a Movements in shareholders' funds - Group**

	<b>Called up share capital £</b>	<b>Capital reserve £</b>	<b>Capital redemption reserve fund £</b>	<b>Revaluation reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 February 1997	602,092	497,143	117	469,091	(1,408,154)	160,289
Realised on disposal	-	-	-	(240,238)	240,238	-
Profit for the year	-	-	-	-	48,748	48,748
At 31 January 1998	<u>602,092</u>	<u>497,143</u>	<u>117</u>	<u>228,853</u>	<u>(1,119,168)</u>	<u>209,037</u>

**17b Movement in shareholders' funds - Company**

	<b>Called up share capital £</b>	<b>Capital redemption reserve fund £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 February 1997	602,092	117	340,838	943,047
Profit for the year	-	-	4,657	4,657
At 31 January 1998	<u>602,092</u>	<u>117</u>	<u>345,495</u>	<u>947,704</u>

**18 Contingent liabilities**

Harper Group Plc and subsidiary companies' contingent liabilities arising from performance bonds at 31 January 1998 amounted to £239,405 (1997 £376,432) in respect of contracts in progress at the balance sheet date.

Harper Group Plc is party to unlimited guarantees and cross guarantees with other group companies to secure loan and overdraft facilities. At 31 January 1998 this amounted to £325,226 (1997 £328,127).

**19 Deferred tax**

	<b>1998 £</b>	<b>1997 £</b>	<b>Accounts provision 1998 £</b>	<b>1997 £</b>
Potential liability for sale of assets at their revalued amount	<u>45,000</u>	<u>81,500</u>	<u>-</u>	<u>-</u>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

<b>20</b>	<b>Capital commitments</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Contracted but not provided	Nil	Nil
	Authorised but not contracted	Nil	Nil
		<hr/>	<hr/>
<b>21</b>	<b>Other financial commitments</b>	<b>1998</b>	<b>1997</b>
		<b>Plant</b>	<b>Plant</b>
		<b>and other</b>	<b>and other</b>
		<b>£</b>	<b>£</b>
	Operating leases - annual commitments		
	Leases expiring		
	within one year	10,761	5,040
	in two to five years	53,286	65,171
		<hr/>	<hr/>
		64,047	70,211
		<hr/>	<hr/>

**22 Related party transactions**

**a) Directors interests in material contracts**

Group companies were active in the following contracts with Beeches Two Plc.

- (i) A contract with Harper Group Construction Limited for the construction of 6 houses at Inkberrow for a sum of £465,756.
- (ii) A contract with Harper Group Construction Limited for the construction of 10 flats and 22 houses at Brades Road, Oldbury for a contract sum of £874,981.
- (iii) A contract with Harper Group Construction Limited for the construction of 5 houses at Twatling Road, Barnt Green for a contract sum of £731,835.

Sales of land by group companies to Beeches Two Plc amounted to £200,000. The sales were completed at arms length values.

In addition the group companies have charged Beeches Two Plc in the ordinary course of business administration fees totalling £94,583.

At the balance sheet date the following amounts are due from Beeches Two Plc.

	<b>£</b>
Harper Group Plc	40,274
Harper Group Development Limited	235,250
	<hr/>
	275,524
	<hr/>

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



**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**22 Related party transactions (continued)**

**b) Amounts due from directors to subsidiary undertakings:**

	At 31 January 1998 £	Highest balance during year £
<b>In trade debtors</b>		
J S Harper	1,149	1,149

**c) Balances with participating interests**

In trade debtors	528
In other debtors	2,991

**23 Post balance sheet events**

On 16 April 1998 the company sold the whole of its interest in the issued share capital of Warley Painters Limited to Beeches Construction Group Limited for a cash consideration of £40,000.

Beeches Construction Group Limited is owned by a group of investors which includes the management of Warley Painters Limited and P J Underhill and M W Lennox.

**24 Net cash flow from operating activities**

	1998 £	1997 £
Operating profit	460	146,548
Depreciation of tangible fixed assets	93,836	103,974
Decrease in stock and work in progress	274,000	561,216
(Increase)/Decrease in debtors	(749,574)	544,447
Increase/(Decrease) in creditors	500,575	(615,623)
<b>Net cash flow from operating activities</b>	<b>119,297</b>	<b>740,562</b>

**HARPER GROUP PLC  
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 January 1998**

**25 Analysis of changes in net debt**

	1998 £	Cashflows £	Other changes £	1997 £
Cash at bank and in hand	1,126,623	433,854	-	692,769
Bank overdrafts	(1,047,015)	112,801	-	(1,159,816)
		<u>546,655</u>		
Debt due after one year	(404,000)	-	-	(404,000)
Hire purchase contracts	(164,161)	81,681	(92,319)	(153,523)
Deposits	155,991	(67,005)	-	222,996
	<u>(332,562)</u>	<u>561,331</u>	<u>(92,319)</u>	<u>(801,574)</u>

## HARPER GROUP PLC

## TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 31 January 1998

	1998		1997	
	£	£	£	£
<b>Other operating income</b>				
Group income	110,000		220,000	
Pension contributions overpaid	-		78,379	
Net rental income	5,149		5,523	
Interest received	-		18,949	
		115,149		322,851
<b>Less overheads</b>				
Salaries	32,693		113,551	
Motor expenses	238		2,981	
Insurances	(13,864)		8,698	
Telephone and postage	714		704	
Printing and stationery	5,238		2,492	
Advertising	1,344		4,197	
Computer services	3,649		12,278	
Sundry trade expenses	13,953		6,098	
Heating and lighting tax	13		1,759	
Repairs	270		2,347	
Rates	985		13,930	
Training	-		(2,168)	
Bank charges	-		8,089	
Auditors' remuneration	7,060		7,510	
Professional charges	11,042		10,787	
Depreciation freehold	1,752		2,591	
Depreciation motor vehicles	719		1,496	
Depreciation fixtures and fittings	11,072		18,275	
Loss on sale of tangible assets	(4,673)		(2,915)	
Bank charges	8,567		3,197	
Bank interest	7,181		91,293	
Pension loan interest	22,539		-	
Restructuring provision released	-		(10,000)	
		110,492		297,190
<b>Net profit for the year</b>		4,657		25,661