

Company Registration No. 01854872 (England and Wales)

HARPER GROUP PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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HARPER GROUP PLC

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COMPANY INFORMATION

Directors	Miss V Overton	•
	Mr A Rees	•
	Mr M Harvey	•
	Mr P Mondon	•
Secretary	Miss V Overton	
Company number	01854872	
Registered office	Beeches Road Rowley Regis Warley West Midlands B65 0BB	
Auditors	CK Audit No.4 Castle Court 2 Castlegate Way Dudley West Midlands DY1 4RH	
Business address	Beeches Road, Rowley Regis Warley West Midlands B65 0BB	
Bankers	HSBC Bank Plc 31 Church Street Kidderminster Worcestershire West Midlands DY10 2AY	

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HARPER GROUP PLC

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HARPER GROUP PLC

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

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The directors present their report and financial statements for the year ended 31 December 2012.

Principal activities and review of the business

The company is a parent company. The principal activities of the subsidiary undertakings are the provision of building contractor services delivering all construction types, including but not restricted to, commercial, industrial, leisure and retail, health, education, refurbishment, public buildings, affordable and private housing of all sizes under all procurement routes.

The Directors are pleased to report continuing profitability of subsidiary undertakings in 2012 despite challenging market conditions. A large number of projects have been secured for 2013 and enquiry levels remain high. The group strategy is to ensure that the operating costs are correlated to the appropriate available workload and, on this basis, the directors remain positive about continuing to operate profitably during 2013.

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 into place to monitor and mitigate them.

In the opinion of the directors, the financial position at the balance sheet date was satisfactory.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2012:

Miss V Overton	.
Mr A Rces	.
Mr M Harvey	.
Mr P Mondon	.

Creditor payment policy

The company'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 0 (2011 - 0) days' purchases.

Auditors

The auditors, CK Audit, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

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HARPER GROUP PLC

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DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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 company'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 company's auditors are aware of that information.

On behalf of the board

Mr A Rees

Director

2 April 2013

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HARPER GROUP PLC

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HARPER GROUP PLC

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We have audited the financial statements of Harper Group Plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended; have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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HARPER GROUP PLC

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF HARPER GROUP PLC

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Wendy Davies (Senior Statutory Auditor)
for and on behalf of CK Audit

2 April 2013

Chartered Accountants
Statutory Auditor

No.4 Castle Court 2
Castlegate Way
Dadley
West Midlands
DY1 4RH

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HARPER GROUP PLC

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

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		2012	2011
	Notes	£	£
Administrative expenses		11,316	557
Other operating income		-	80
		<hr/>	<hr/>
Operating profit	2	11,316	637
Interest payable and similar charges	3	(370)	(373)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		10,946	264
Tax on profit on ordinary activities	4	(2,378)	(2,178)
		<hr/>	<hr/>
Profit/(loss) for the year	12	8,568	(1,914)
		<hr/> <hr/>	<hr/> <hr/>

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 SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	5		2,827		3,769
Investments	6		1,932,154		1,932,154
			<u>1,934,981</u>		<u>1,935,923</u>
Current assets					
Debtors: amounts falling due within one year	7	1,485		1,444	
Debtors: amounts falling due after more than one year	7	2,080,387		2,355,352	
Cash at bank and in hand		9,063		10,151	
		<u>2,090,935</u>		<u>2,366,947</u>	
Creditors: amounts falling due within one year	8	(304,074)		(273,550)	
Net current assets			<u>1,786,861</u>		<u>2,093,397</u>
Total assets less current liabilities			3,721,842		4,029,320
Creditors: amounts falling due after more than one year	9	(2,268,531)		(2,584,577)	
			<u>1,453,311</u>		<u>1,444,743</u>
Capital and reserves					
Called up share capital	11	599,508		599,508	
Other reserves	12	2,701		2,701	
Profit and loss account	12	851,102		842,534	
Shareholders' funds	13		<u>1,453,311</u>		<u>1,444,743</u>

Approved by the Board and authorised for issue on 2 April 2013

Mr M Harvey
Director

Company Registration No. 01854872

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HARPER GROUP PLC

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

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		2012		2011
	£	£	£	£
Net cash inflow/(outflow) from operating activities		98,960		131,176
Returns on investments and servicing of finance				
Interest paid	(370)		(373)	
Net cash outflow for returns on investments and servicing of finance		(370)		(373)
Taxation		(2,178)		(6,076)
Net cash inflow/(outflow) before management of liquid resources and financing		96,412		124,727
Financing				
Other new short term loans	22,500		-	
Repayment of other long term loans	(120,000)		(120,000)	
Net cash outflow from financing		(97,500)		(120,000)
(Decrease)/increase in cash in the year		(1,088)		4,727

HARPER GROUP PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Reconciliation of operating profit to net cash outflow from operating activities	2012	2011
	£	£
Operating profit	11,316	637
Depreciation of tangible assets	942	1,257
Decrease in debtors	274,924	29,945
Increase/(decrease) in creditors within one year	7,824	(2,095,240)
Increase/(decrease) in creditors more than one year	(196,046)	2,194,577
Net cash inflow from operating activities	98,960	131,176

2 Analysis of net debt	1 January 2012	Cash flow	Other non-cash changes	December 2012
	£	£	£	£
Net cash:				
Cash at bank and in hand	10,151	(1,088)	-	9,063
Bank deposits	-	-	-	-
Debt:				
Debts falling due within one year	(120,000)	(22,500)	-	(142,500)
Debts falling due after one year	(2,584,577)	120,000	-	(2,464,577)
	(2,704,577)	97,500	-	(2,607,077)
Net debt	(2,694,426)	96,412	-	(2,598,014)

3 Reconciliation of net cash flow to movement in net debt	2012	2011
	£	£
(Decrease)/increase in cash in the year	(1,088)	4,727
Cash outflow/(inflow) from decrease/(increase) in debt	97,500	(2,074,577)
Movement in net debt in the year	96,412	(2,069,850)
Opening net debt	(2,694,426)	(624,576)
Closing net debt	(2,598,014)	(2,694,426)

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HARPER GROUP PLC

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

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).

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% reducing balance
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1.4 Investments

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

1.5 Pensions

The company 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.

1.6 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.

1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Harper Group Management Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

2	Operating profit	2012	2011
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	942	1,257
		<u> </u>	<u> </u>
	Auditors' remuneration		
	Fees payable to the company's auditor for the audit of the company's annual accounts	2,500	2,500
	Tax services	750	750
	Non audit services	2,000	2,000
		<u> </u>	<u> </u>
		5,250	5,250
		<u> </u>	<u> </u>
3	Interest payable	2012	2011
		£	£
	On bank loans and overdrafts	370	373
		<u> </u>	<u> </u>
4	Taxation	2012	2011
		£	£
	Domestic current year tax		
	U.K. corporation tax	2,378	2,178
		<u> </u>	<u> </u>
	Total current tax	2,378	2,178
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	10,946	264
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2011 - 20.00%)	2,189	53
		<u> </u>	<u> </u>
	Effects of:		
	Depreciation in excess of capital allowances	189	255
	Directors'/participants' remuneration adjustment	-	1,870
		<u> </u>	<u> </u>
		189	2,125
		<u> </u>	<u> </u>
	Current tax charge for the year	2,378	2,178
		<u> </u>	<u> </u>

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HARPER GROUP PLC

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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5 Tangible fixed assets

**Fixtures, fittings &
equipment**

£

Cost

At 1 January 2012 & at 31 December 2012

127,704

Depreciation

At 1 January 2012

123,935

Charge for the year

942

At 31 December 2012

124,877

Net book value

At 31 December 2012

2,827

At 31 December 2011

3,769

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

6 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2012 & at 31 December 2012	1,932,154
Net book value	
At 31 December 2012	1,932,154
At 31 December 2011	1,932,154

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
J Harper & Sons (Leominster) Limited	England & Wales	Ordinary		100.00
Harper Group Construction Limited	England & Wales	Ordinary		100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit/(loss) for the year
Principal activity	2012 £	2012 £
J Harper & Sons (Leominster) Limited	2,791,565	10,691
Harper Group Construction Limited	(3,304,005)	83,746

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.

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

7 Debtors	2012	2011
	£	£
Amounts owed by subsidiary undertakings	2,080,387	2,355,352
Prepayments and accrued income	1,485	1,444
	<u>2,081,872</u>	<u>2,356,796</u>

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

	2012	2011
	£	£
Amounts owed by group undertakings	<u>2,080,387</u>	<u>2,355,352</u>

The directors have agreed not to demand repayment of the amount of £2,080,387 due from a subsidiary undertaking within 12 months of the balance sheet date.

8 Creditors: amounts falling due within one year	2012	2011
	£	£
Trade creditors	4,038	512
Corporation tax	2,378	2,178
Other taxes and social security costs	71,598	68,989
Other creditors	147,835	123,645
Accruals and deferred income	78,225	78,226
	<u>304,074</u>	<u>273,550</u>
Debt due in one year or less	<u>142,500</u>	<u>120,000</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

9	Creditors: amounts falling due after more than one year	2012 £	2011 £
	Other loans	270,000	390,000
	Amounts owed to group undertakings	1,998,531	2,194,577
		<u>2,268,531</u>	<u>2,584,577</u>
	Analysis of loans		
	Wholly repayable within five years	412,500	510,000
		<u>412,500</u>	<u>510,000</u>
	Included in current liabilities	(142,500)	(120,000)
		<u>270,000</u>	<u>390,000</u>
	Loan maturity analysis		
	In more than one year but not more than two years	120,000	120,000
	In more than two years but not more than five years	150,000	270,000
		<u>120,000</u>	<u>270,000</u>

The loan is secured by a fixed and floating charge over the assets of the company.

10 Pension and other post-retirement benefit commitments
Defined contribution

	2012 £	2011 £
Contributions payable by the company for the year	<u>13,125</u>	<u>11,500</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

11 Share capital	2012 £	2011 £
Allotted, called up and fully paid		
678 Ordinary shares of £1 each	678	678
598,830 Deferred shares of £1 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.

12 Statement of movements on reserves	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2012	2,701	842,534
Profit for the year	-	8,568
Balance at 31 December 2012	<u>2,701</u>	<u>851,102</u>
Other reserves		
Capital redemption reserve		
Balance at 1 January 2012 & at 31 December 2012	<u>2,701</u>	

13 Reconciliation of movements in shareholders' funds	2012 £	2011 £
Profit/(Loss) for the financial year	8,568	(1,914)
Opening shareholders' funds	1,444,743	1,446,657
Closing shareholders' funds	<u>1,453,311</u>	<u>1,444,743</u>

HARPER GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

14 Contingent liabilities

The company is party to unlimited guarantees and cross guarantees with other group companies to secure overdraft facilities of the group. The amount owing by other group companies at 31 December 2012 was £nil (2011 £nil).

15 Directors' remuneration	2012	2011
	£	£
Remuneration for qualifying services	25,929	39,085
Company pension contributions to defined contribution schemes	13,125	11,500
	<u>39,054</u>	<u>50,585</u>

16 Employees

Number of employees

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

	2012	2011
	Number	Number
Administration	<u>1</u>	<u>1</u>

Employment costs	2012	2011
	£	£
Wages and salaries	25,929	39,085
Social security costs	2,526	3,088
Other pension costs	13,125	11,500
	<u>41,580</u>	<u>53,673</u>

17 Control

The ultimate parent company is Harper Group Management Limited, a company registered in England and Wales.

Harper Group Management Limited prepares group financial statements and copies can be obtained from Beeches Road, Rowley Regis, Warley, West Midlands B65 0BB.

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HARPER GROUP PLC

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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18 Related party relationships and transactions

S Underhill has a beneficial interest in Harper Group Management Limited. In 2009, the company received a loan of £750,000 from S Underhill. The loan is being repaid at £10,000 per month and repayments commenced in January 2010. At 31 December 2012, an amount of £412,500 was due to S Underhill (2011 £510,000). £142,500 (2011 £120,000) is included in creditors due within one year and £270,000 (2011 £390,000) is included in creditors due after more than one year. No interest is payable on the loan.

The company has taken advantage of the exemption available in accordance with FRS 8 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company is the parent of the wholly owned subsidiary undertakings of the group to which it is party to the transactions.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.