ARTHUR ANDERSEN

Harpmanor Limited

Accounts 30 June 1997
together with directors' and auditors' reports

Registered number: ~~1959967~~
1954109

DIRECTORS

H.N. Moser
C.J. Punshon
A.J. Grant

SECRETARY

M.B. Richards

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

AUDITORS

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

Directors' report

For the year ended 30 June 1997

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 June 1997.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Principal activity and business review

The principal activity of the company continued to be that of financiers.

The directors consider the results for the year to be satisfactory and look forward to the future with confidence.

Results and dividend

The results for the period are set out in detail on page 5. The directors do not recommend the payment of a dividend.

Directors and their interests

The present directors of the company are set out on page 1. All of the directors served throughout the year.

H.N. Moser is a director of the company's parent company, Blemain Group plc and as such, his interest in the share capital of that company is disclosed in its directors' report. None of the other directors have an interest in the share capital of the company. No director has, or had any material interest in any contract or agreement entered into by the company during the year.

Directors' report (continued)

Auditors

Robson Rhodes resigned as the company's auditors during the year. Arthur Andersen were appointed as the company's auditors during the year.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

M.B. Richards

Secretary

10 December 1997

Auditors' report

Manchester

To the Shareholders of Harpmanor Limited:

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

10 December 1997

Profit and loss account

For the year ended 30 June 1997

	Notes	1997 £	1996 £ (Note 1a)
Turnover	2	313,002	352,945
Operating expenses		(137,472)	(124,844)
Operating profit		175,530	228,101
Interest receivable and similar income	3	22,848	-
Interest payable	4	(2,000)	(74,428)
Profit on ordinary activities before taxation	5	196,378	153,673
Tax on profit on ordinary activities	7	(64,753)	(65,710)
Profit for the financial year	15	131,625	87,963

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the profit for the financial year.

A movement of reserves is given in note 15.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 June 1997

	Notes	1997 £	1996 £ (Note 1a)
Fixed assets			
Tangible assets	8	18,135	24,180
Investments	9	16,910	-
		35,045	24,180
Current assets			
Stocks	10	28,199	46,096
Debtors	11	2,873,058	3,024,615
Cash at bank and in hand		74,509	-
		2,975,766	3,070,711
Creditors: Amounts falling due within one year	12	(1,493,102)	(1,701,535)
Net current assets		1,482,664	1,369,176
Total assets less current liabilities		1,517,709	1,393,356
Creditors: Amounts falling due after more than one year	13	(29,088)	(36,360)
Net assets		1,488,621	1,356,996
Capital and reserves			
Called-up share capital	14	2	2
Profit and loss account	15	1,488,619	1,356,994
Equity shareholders' funds		1,488,621	1,356,996

Signed on behalf of the Board

H.N. Moser Director

C.J. Punshon Director

10 December 1997

Notes to accounts

30 June 1997

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts for the year ended 30 June 1996 were reported on without qualification by a firm of Chartered Accountants other than Arthur Andersen.

b) Tangible fixed assets

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rate used is as follows:

Motor vehicles	-	25% reducing balance

c) Stocks

Properties held for resale are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the period is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 7.

e) Turnover

Turnover represents interest and commission received on money lending agreements, property disposal proceeds and rental income. The interest credited to the profit and loss account is calculated on a straight line basis pro rata to repayments recoverable on an accruals basis.

1 Accounting policies (continued)

f) Leased assets

Where assets are financed by leasing agreements ("finance leases") the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

2 Turnover

	1997 £	1996 £
Turnover arising from the principal activity of the company	313,002	352,945

3 Interest receivable and similar income

	1997 £	1996 £
Bank interest	22,848	-

4 Interest payable

	1997 £	1996 £
Hire purchase	-	835
Bank loans and overdrafts	-	69,216
Other interest	2,000	4,377
	2,000	74,428

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Depreciation and amounts written off tangible fixed assets	6,045	8,062
Auditors' remuneration	1,175	1,750

6 Staff costs

The company had no employees and paid no directors' emoluments during the year or prior year.

7 Tax on profit on ordinary activities

	1997 £	1996 £
Corporation tax at 32½% (1996 - 33%)	64,753	53,210
Adjustment to prior period	-	12,500
	64,753	65,710

No unprovided deferred tax arose at the year end (1996 - £Nil).

8 Tangible fixed assets

	Motor vehicle £
Cost	
Beginning and end of year	56,500
Depreciation	
Beginning of year	32,320
Charge	6,045
End of year	38,365
Net book value	
End of year	18,135
Beginning of year	24,180

9 Investments

	1997 £	1996 £
Investment properties	16,910	-

10 Stocks

	1997 £	1996 £
Properties held for resale	28,199	46,096

11 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	819,563	916,040
Amounts owed by group undertakings	1,741,367	1,629,026
Prepayments and accrued income	-	-
Other debtors	9,179	9,279
	2,570,109	2,554,345
Amounts falling due after more than one year:		
Trade debtors	302,949	470,270
	2,873,058	3,024,615

12 Creditors: Amounts falling due within one year

	1997 £	1996 £
Amounts owed to group undertakings	1,295,945	928,723
Bank overdraft	-	644,552
Corporation tax	171,007	98,982
Other creditors	100	171
Accruals and deferred income	26,050	29,107
	1,493,102	1,701,535

13 Creditors: Amounts falling due after more than one year

	1997 £	1996 £
Corporation tax	29,088	36,360

14 Share capital

	1997 £	1996 £
Authorised		
100 Ordinary shares of £1 each	100	100
Called-up, allotted and fully paid		
2 Ordinary shares of £1 each	2	2

15 Profit and loss account

	1997 £	1996 £
Beginning of year	1,356,994	1,269,031
Profit for the year	131,625	87,963
End of year	1,488,619	1,356,994

16 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	131,625	87,963
Opening shareholders' funds	1,356,996	1,269,033
Closing shareholders' funds	1,488,621	1,356,996

17 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of the £20 million bank loan held in the parent company.

18 Cash flow statement

As permitted by Financial Reporting Standard No1 (Revised), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc which has produced a group cash flow in its accounts.

19 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Blemain Group plc, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which Harpmanor Limited is a member and for which group accounts are drawn up is that headed by the Blemain Group plc whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.