

MURRAY

MURRAY  
INTERNATIONAL  
HOLDINGS  
LIMITED

REPORT AND ACCOUNTS 2005

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## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY will be held at 9 Charlotte Square, Edinburgh EH2 4DR on 24 November 2005 at 11.00am to transact the following business:-

- 1 To receive and consider the Company's accounts for the year ended 31 January 2005 together with the reports of the directors and auditors thereon.
  
- 2 To re-appoint Deloitte & Touche LLP as auditors for the ensuing year and to authorise the directors to fix their remuneration.

By Order of the Board

D.W.M. Horne, Secretary, 14 November 2005

Registered Office: 9 Charlotte Square,

Edinburgh EH2 4DR

Registration number: 192523

NOTE: A member entitled to attend and vote at the above meeting may appoint a proxy (who need not be a member) to attend and (on a poll) vote on his behalf. A proxy form is enclosed with this notice.

DIRECTORS AND PRINCIPAL ADVISERS

DIRECTORS D.E.Murray (Chairman)  
J.D.G.Wilson, B.ACC., C.A.  
I.B.Tudhope, LL.B.  
K.A.Cockburn  
D.D.Murray, B.A.  
M.S. McGill, LL.B., C.A. (appointed 1 May 2005)  
Sir Angus Grossart, C.B.E., LL.D., D.L.  
H.Rose, F.C.C.A., A.T.I.I.

SECRETARY D.W.M. Horne, LL.B.(Hons)

REGISTERED OFFICE 9 Charlotte Square,  
Edinburgh  
EH2 4DR

AUDITORS Deloitte & Touche LLP,  
Saltire Court,  
20 Castle Terrace,  
Edinburgh  
EH1 2DB

BANKERS Bank of Scotland,  
The Mound,  
Edinburgh  
EH1 1YZ

MERCHANT BANKERS Noble Grossart Limited,  
48 Queen Street,  
Edinburgh  
EH2 3NR

SOLICITORS Dundas & Wilson, C.S.,  
Saltire Court,  
20 Castle Terrace,  
Edinburgh  
EH1 2EN

## CHAIRMAN'S STATEMENT



I am delighted to report further improvement in our financial performance for the year under review. Group turnover from continuing and acquired operations increased by 58% from £233m to £369m. More impressively, Group operating profit\* almost doubled to £37.3m from £18.7m. I am particularly encouraged by this increase as it represents the sixth consecutive year of growth.

Divisional contributions from Metals, Property and Private Equity have once again been very positive. The Metals business experienced its strongest ever year on the back of a rising steel market. After a year of assisting the management of Apollo Metals, a specialist metal supplier to the aerospace industry, we exercised our option to acquire the business on 3 December 2004. In addition, Ireland Alloys, whose activities involve processing and trading alloy materials, was acquired on 5 August 2004. We are optimistic about the prospects for both businesses. While general steel prices have softened slightly in recent months, the overall outlook for the Metals Division remains positive.

We have continued to expand the portfolio of assets in our Property Division which has been active in the development and investment markets. We made a number of key acquisitions during the year, including an aggregate £219m invested in offices in London and substantial retail positions in Hartlepool, Mansfield and Edinburgh. We have, however, also taken

advantage of the strong investment market to dispose of assets at appropriate times. This transactional activity, which included the sale of a fully let Grade A office and mixed use development in Edinburgh for £30m, has contributed to another year of excellent results for PPG.

In Charlotte Ventures, as mentioned in my statement last year, we have made a number of changes to our trading activities. The contact centre arm of Thus plc was acquired and has been successfully integrated with our own contact centre operation, RHL, which now has a total workforce of 2,200. A stake was also taken in Alexander Dennis Limited, the company formed to acquire the bus manufacturing business of Transbus Limited. In addition, we took advantage of the opportunity to dispose of our majority shareholding in our contract catering business, Azure, to an international player in this market on 30 September 2004.

In relation to Rangers Football Club, a rights issue was successfully completed in December 2004, raising more than £51m and bringing the Club back into the Murray Group. The rights issue has re-established a sound financial base for the future of Rangers. Given the Group's increased commitment to the Club and as set out in my statement last year, I have re-assumed executive responsibility for Rangers. I am committed to ensuring that the Club operates within pre-set financial constraints and capitalises on investments made in developing young talent, such as the facilities at Murray Park. My belief is that footballing success can be achieved while Rangers operates within an appropriate financial framework.

\* operating profit after gains on sale of fixed assets and investments of £13.2m (2004: £9.9m)

Progress has also been made in the other operating divisions, comprising Mining and Waste Management. Through focused operational and financial management, we are confident that the current year will see continued progress compared to the disappointing results of last year. Our Mining operations are now approaching completion, following which it is intended that restored sites will be developed. As highlighted in last year's statement, the process of securing planning permission for these sites has been costly and lengthy. New planning proposals put forward by the Scottish Executive are encouraging and should, if implemented, assist in realising value and secure a positive future for restored sites throughout Scotland.

The development of the Group has been funded through our agreed facilities with Bank of Scotland. The increase in borrowings reflects transactional activity during the year, including property acquisitions and the purchases of Apollo and Ireland Alloys, together with the rights issue at Rangers. At the year end, our ratio of debt to total assets was 62% compared to 57% at the end of the previous year.

My desire to deliver controlled growth through focused management has been well documented in previous annual statements. However, in recent years, significant expansion has been delivered while the management team has remained unchanged. I am therefore pleased to announce two changes to the Board at Murray International Holdings. Firstly, Donald Wilson steps up to become Chief Executive while Mike McGill has joined us as Group Finance Director. I am sure they will both do well in their respective positions.

In conclusion, both the Group and its activities continue to develop. We remain committed to creating, securing and realising opportunities across all areas of our business. Our profitable growth trend has continued in the current year and I am confident that it can be extended into the future. However, I continue to recognise that this success is only achieved through the skill, dedication and commitment of the Group's 4,100 employees and others connected with the Group. I therefore extend my sincere gratitude to all those who have played a part.

David E. Murray

14 November 2005

**REPORT OF THE DIRECTORS**  
FOR THE YEAR ENDED 31 JANUARY 2005

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The directors have pleasure in submitting their report on the affairs of the Group, together with the accounts and independent auditors' report for the year ended 31 January 2005.

**PRINCIPAL TRADING DIVISIONS AND BUSINESS REVIEW**

The principal trading divisions of the Group comprise Metals, Property, Mining, Corporate Finance and Private Equity and Football. The Chairman's Statement on pages 4 and 5 incorporates a review of the businesses.

**RESULTS AND DIVIDENDS**

Details of the results for the year are contained in the consolidated profit and loss account on page 9. Further information in respect of dividends paid and proposed by the Company is set out in note 8.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year together with their interests in the share capital of the Company were as follows:

	Ordinary shares of 10p each	
	31 January 2005	31 January 2004
D.E. Murray	9,880,190	9,880,190
I.B. Tudhope	63,543	63,543
J.D.G. Wilson	63,543	63,543
K.A. Cockburn	Nil	Nil
D.D. Murray	1,064,170	1,064,170
Sir Angus Grossart	Nil	Nil
H. Rose	Nil	Nil

Sir Angus Grossart is a director of Noble Grossart Investments Limited which owns 5.5% of the issued share capital of the Company. M.S. McGill was appointed as a director on 1 May 2005.

**SUBSTANTIAL SHAREHOLDINGS**

At 31 January 2005 Uberior Investments plc, a wholly owned subsidiary of Bank of Scotland, owned 11.5% of the issued share capital of the Company.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**EMPLOYEE CONSULTATION**

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and various internal publications.

**CHARITABLE CONTRIBUTIONS**

The Group contributed £206,000 (2004 - £178,000) to local charitable organisations.

**SHARE OPTIONS**

Three of the directors have share options as part of a long-term incentive plan. Each director has the option to purchase 71,699 ordinary shares in the Company at a price of £6.40 per share. The options are exercisable on or after 8 May 2003 until 8 May 2011. No options were exercised during the current or prior year.

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the Group as at the end of the financial year and of the profit or loss of the Group for that year. 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 Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for systems of internal controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### SUBSEQUENT EVENTS

Material events and transactions subsequent to 31 January 2005 are referred to in Note 25.

### AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board

D.W.M. Horne  
Secretary

9 Charlotte Square,  
Edinburgh,  
EH2 4DR

14 November 2005

INDEPENDENT AUDITORS' REPORT

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## DELOITTE & TOUCHE LLP

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MURRAY INTERNATIONAL HOLDINGS LIMITED

We have audited the accounts of Murray International Holdings Limited for the year ended 31 January 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets of the Company and of the Group, the consolidated cash flow statement and the related notes 1 to 27. These accounts 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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 circumstances of the Company and the Group, 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 state of affairs of the Company and the Group as at 31 January 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

14 November 2005

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31 JANUARY 2005

	NOTE	2005 £'000	2004 £'000
<b>TURNOVER</b>			
Continuing operations		<b>341,590</b>	232,720
Acquired operations		<b>27,796</b>	-
		<b>369,386</b>	232,720
Discontinued operations		<b>8,336</b>	15,817
	2	<b>377,722</b>	248,537
Cost of sales	3(a)	<b>(284,433)</b>	(195,582)
<b>GROSS PROFIT</b>			
Other operating expenses	3(b)	<b>(69,122)</b>	(44,120)
<b>OPERATING PROFIT</b>			
Continuing operations		<b>28,964</b>	9,349
Acquired operations - loss following acquisition		<b>(3,022)</b>	-
		<b>25,942</b>	9,349
Discontinued operations		<b>(1,775)</b>	(514)
		<b>24,167</b>	8,835
Gain on sale of fixed assets & investments	4	<b>13,167</b>	9,913
<b>OPERATING PROFIT AFTER GAINS ON SALE OF FIXED ASSETS &amp; INVESTMENTS</b>			
		<b>37,334</b>	18,748
Gain on sale of subsidiary undertakings	11(e)	-	10,307
Loss on termination of operation		-	(255)
Share of joint ventures operating loss		<b>(224)</b>	(277)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>			
		<b>37,110</b>	28,523
Investment income	5(a)	<b>45</b>	-
Net interest payable and similar charges	5(b)	<b>(17,027)</b>	(10,518)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>			
Tax on profit on ordinary activities	7	<b>(5,388)</b>	(1,353)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>			
		<b>14,740</b>	16,652
Minority interests	21	<b>(792)</b>	1,252
<b>PROFIT FOR FINANCIAL YEAR</b>			
		<b>13,948</b>	17,904
Dividends on equity shares	8	<b>(5,115)</b>	(4,216)
Dividends on non-equity shares	8	<b>(769)</b>	(883)
<b>RETAINED PROFIT TRANSFERRED TO RESERVES</b>			
	19	<b>8,064</b>	12,805

Historical cost profit on ordinary activities before taxation equates to the reported profit on ordinary activities before taxation.

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

M U R R A Y I N T E R N A T I O N A L H O L D I N G S L I M I T E D

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JANUARY 2005

	NOTE	<b>2005</b> <b>£'000</b>	2004 £'000
Profit for the financial year before dividends		<b>13,948</b>	17,904
Currency translation adjustments	19	<b>(366)</b>	(906)
Unrealised surplus on revaluation of investment property	19	<b>531</b>	1,101
Total recognised gains and losses		<b>14,113</b>	18,099

The accompanying notes form an integral part of the above consolidated statement of total recognised gains and losses.

**BALANCE SHEETS**  
AS AT 31 JANUARY 2005

		Group		Company	
	NOTE	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>					
Tangible assets	9	541,255	218,081	-	-
Intangible assets	10	102,404	4,620	-	-
Investments	11	12,305	10,776	1,485	1,485
		<b>655,964</b>	<b>233,477</b>	<b>1,485</b>	<b>1,485</b>
<b>CURRENT ASSETS</b>					
Stocks	12	94,830	35,010	-	-
Debtors: Amounts falling due within one year	13	129,224	75,348	1,206	10,154
Debtors: Amounts falling due after more than one year	13	1,026	54,625	-	-
Investments	14	40	5,976	-	-
Cash at bank and in hand		4,370	2,380	20,784	15,066
		<b>229,490</b>	<b>173,339</b>	<b>21,990</b>	<b>25,220</b>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<b>(185,494)</b>	<b>(133,293)</b>	<b>(6,038)</b>	<b>(5,099)</b>
NET CURRENT ASSETS		<b>43,996</b>	<b>40,046</b>	<b>15,952</b>	<b>20,121</b>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>699,960</b>	<b>273,523</b>	<b>17,437</b>	<b>21,606</b>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	<b>(524,048)</b>	<b>(172,510)</b>	-	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	<b>(3,591)</b>	<b>(591)</b>	-	-
NET ASSETS		<b>172,321</b>	<b>100,422</b>	<b>17,437</b>	<b>21,606</b>
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	18	16,464	16,464	16,464	16,464
Consolidation reserve	19	5,032	5,032	-	-
Revaluation reserve	19	2,551	2,020	-	-
Share premium account	19	19,868	19,868	-	-
Capital redemption reserve	19	15,022	15,022	22	22
Profit and loss account	19	39,273	36,494	951	5,120
Translation reserve	19	<b>(2,209)</b>	<b>(1,843)</b>	-	-
SHAREHOLDERS' FUNDS, including non-equity interests	20	<b>96,001</b>	<b>93,057</b>	<b>17,437</b>	<b>21,606</b>
MINORITY INTERESTS	21	<b>76,320</b>	<b>7,365</b>	-	-
TOTAL CAPITAL EMPLOYED		<b>172,321</b>	<b>100,422</b>	<b>17,437</b>	<b>21,606</b>
SHAREHOLDERS' FUNDS may be analysed as:					
Equity interests	20	<b>81,001</b>	<b>78,057</b>	<b>2,437</b>	<b>6,606</b>
Non-equity interests	20	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
		<b>96,001</b>	<b>93,057</b>	<b>17,437</b>	<b>21,606</b>

Signed by order of the Board on 14 November 2005

D.E. MURRAY    )  
                  )       Directors  
J.D.G. WILSON   )

The accompanying notes form an integral part of these balance sheets.

M U R R A Y I N T E R N A T I O N A L H O L D I N G S L I M I T E D

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 JANUARY 2005

	NOTE	2005 £'000	2004 £'000
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities		<b>18,765</b>	7,221
Servicing of finance and returns on investments	22(a)	<b>(17,379)</b>	(13,497)
Taxation	22(b)	<b>(2,499)</b>	(747)
Capital expenditure and financial investment	22(c)	<b>(210,596)</b>	(40,786)
Acquisitions and disposals	22(d)	<b>(58,975)</b>	16,822
Equity dividends paid	22(e)	<b>(4,216)</b>	(1,180)
Cash outflow before management of liquid resources and financing		<b>(274,900)</b>	(32,167)
Management of liquid resources	22(f)	<b>6,453</b>	(5,936)
Financing	22(g)	<b>172,109</b>	1,147
Decrease in cash during the year		<b>(96,338)</b>	(36,956)
<b>RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS</b>			
Operating profit		<b>24,167</b>	8,835
Depreciation charges		<b>12,629</b>	6,963
Amortisation of intangible assets		<b>3,210</b>	1,484
Gain on the sale of fixed asset development properties		<b>(7,095)</b>	-
Write off of fixed asset investments		<b>754</b>	-
Exchange gains		<b>(339)</b>	-
Gain on the sale of current asset investments		<b>(517)</b>	-
Elimination of unrealised profit		<b>(72)</b>	-
Loss on sale of tangible assets		<b>163</b>	261
(Increase)/decrease in stocks		<b>(24,720)</b>	791
Increase in debtors		<b>(23,340)</b>	(18,572)
Increase in creditors		<b>28,464</b>	7,870
Increase in land restoration provision		<b>3,000</b>	-
Amortisation of player registrations		<b>2,461</b>	-
Write back of goodwill on disposal of property investment company		-	495
Other reserve movements		-	(906)
Net cash inflow from operating activities		<b>18,765</b>	7,221
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 23)</b>			
Decrease in cash in the year		<b>(96,338)</b>	(36,956)
Cash outflow from debt and lease financing		<b>(171,254)</b>	(2,025)
Change in net debt resulting from cash flows		<b>(267,592)</b>	(38,981)
New finance leases		<b>(1,026)</b>	(798)
Other non-cash movements		<b>339</b>	-
(Decrease)/increase in current asset investments		<b>(5,936)</b>	5,936
Debt acquired with purchase of subsidiary undertakings		<b>(52,059)</b>	(5,983)
Movement in net debt in the year		<b>(326,274)</b>	(39,826)
Net debt at beginning of year		<b>(230,067)</b>	(190,241)
Net debt at end of year		<b>(556,341)</b>	(230,067)

The accompanying notes form an integral part of this consolidated cash flow statement.

**NOTES TO THE ACCOUNTS**  
FOR THE YEAR ENDED 31 JANUARY 2005

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**1. Accounting policies**

The Group's accounting policies set out below have been applied consistently throughout the year and have remained unchanged from the previous year.

**(a) Basis of accounting:** The accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and have been prepared in accordance with applicable United Kingdom accounting standards.

**(b) Basis of consolidation:** The consolidated accounts include the accounts of the Company and all of its subsidiary undertakings made up to 31 January 2005. The Group also consolidates the accounts of companies which it exerts dominant influence over, as defined in FRS 2 (Note 11(c)). Acquisitions are accounted for under the acquisition method. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised over an appropriate period depending upon the circumstances of the acquired company. Provision is made for any impairment. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given is shown as negative goodwill under intangible fixed assets and amortised on the same basis as positive goodwill. Goodwill arising on certain acquisitions in the year ended 31 January 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet.

On the disposal of a subsidiary undertaking the consolidated accounts reflect the gain or loss on disposal as the difference between the proceeds and the net asset value of the subsidiary undertaking at the date of disposal together with goodwill previously written off to reserves, if any, arising from the original acquisition. The results of subsidiary undertakings disposed of during the year are reflected in the consolidated profit and loss account up to the date of disposal.

Previously, the Company merged with The Premier Property Group Limited and subsidiaries. Under the terms of FRS 6 this was treated as a group reorganisation and the merger accounting provisions applied.

In the Company's accounts, investments in subsidiary undertakings are stated at cost less provisions for impairment. Dividends received and receivable from subsidiary undertakings are credited to the Company's profit and loss account.

As provided for in Section 230 of the Companies Act 1985, no profit and loss account is presented for the Company. The profit for the financial year attributable to the shareholders of the Company was £1,715,000 (2004 - profit of £10,496,000).

**(c) Other fixed asset investments:** Other fixed asset investments are stated at cost less provision for impairment.

**(d) Tangible fixed assets:** Development properties are those properties in respect of which construction and development have not been completed at the balance sheet date, and are reflected at cost, including an allocation of overheads and interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. Interest is capitalised from the point at which development sites or properties are acquired, except where there is a substantial delay between acquisition and commencement of physical construction, when capitalisation will commence at the latter point. In the opinion of the directors, the residual value of those development properties currently being operated for business purposes is sufficient to eliminate the requirement for impairment. Provisions are made against the carrying value of development properties when the directors consider book value to exceed recoverable value. The directors consider that these policies are necessary to provide a true and fair view. Development properties are classified within tangible fixed assets or stocks according to their likely date of realisation. The proceeds and costs on disposal of such properties are reflected in turnover and cost of sales respectively.

In accordance with SSAP 19, investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, unless a deficit (or its reversal) is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, in which case it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or leasehold investment properties where the unexpired term of the lease is more than 20 years. This policy is in line with SSAP19, but is a departure from the Companies Act 1985.

Certain freehold properties, which are not depreciated, are subject to annual impairment reviews.

The Ibrox Stadium and football training facilities, which were acquired in the current year, see Note 11(c), are included within freehold land and buildings and are subject to a full valuation every three years, by an external valuer and are depreciated over 75 years. These are treated as a specialised property within the meaning of FRS 15 and subject to an annual impairment review.

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

## 1. Accounting policies (continued)

**(d) Tangible fixed assets (continued):**

Other fixed assets are shown at cost, net of depreciation and provisions for impairment, as set out in note 9. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	10-50 years
Leasehold properties	4-5 years/over period of lease
Plant and equipment	5-25 years
Fixtures and fittings	4-10 years
Motor vehicles	2-5 years

No depreciation is provided on freehold land.

Profits or losses on the disposal of tangible fixed assets (excluding development properties) are included in the calculation of operating profit or, where material, as an exceptional item after operating profit.

**(e) Intangible fixed assets:** Consolidation goodwill, as described in (b) above, is capitalised and written off over a period which the directors estimate to be the time over which benefits may reasonably be expected to accrue from the related acquisitions. This period does not exceed 20 years. Provision is made for any impairment. Goodwill in respect of project specific joint ventures is not amortised, but is subject to annual impairment reviews. This is a departure from the requirements of the Companies Act 1985 which requires all intangible fixed assets to be amortised.

The costs associated with the acquisition and retention of football personnel are capitalised as intangible assets and amortised over the period of their respective contracts. Payments which are contingent on the performance of the team or the player are recognised where the criteria are considered likely to be met. Receipts which are contingent on the performance of the team or the player are not recognised until the events crystallising such receipts have taken place.

Other intangible fixed assets are included at cost and amortised in equal annual instalments over their estimated useful economic lives. This period is between three and five years. Provision is made for any impairment.

**(f) Associates and joint ventures:** In the consolidated accounts investments in associates and joint ventures are accounted for using the equity and gross equity methods, respectively. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profits less losses while the Group's share of the net assets of the associates and joint ventures is shown in the consolidated balance sheet. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

**(g) Stocks:** Stocks are stated at the lower of cost and net realisable value and include the costs of bringing each product to its present location and condition. The cost of manufactured products consists of direct materials, labour and attributable overheads. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Current development projects, and properties for resale are valued at the lower of the cost and net realisable value. Land held for development, including land in the course of development until legal completion of sale, is valued at cost with no addition of overheads. Work in progress on development properties is valued at the cost of labour and materials with no addition of overheads, plus interest incurred on borrowings for development expenditure until the date of practical completion.

**(h) 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 less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provisions for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

**(i) Current asset investments:** Listed investments are marked to market at the balance sheet date with any resultant gains or losses being taken to the profit and loss account during the year. Other investments are carried at the lower of cost or net realisable value.

**(j) Taxation:** Current tax, representing UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The tax liabilities of certain Group undertakings are reduced wholly or in part by the surrender of losses by fellow Group undertakings. The tax benefits arising from group relief are recognised in the accounts of the surrendering undertakings.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profit and its results as stated in the accounts that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the accounts. The amount of all deferred tax, including that which will probably not reverse, is set out in note 17.

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

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### 1. Accounting policies (continued)

#### (j) Taxation (continued):

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be considered as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gains or losses expected to arise on sale have been recognised in the accounts. Nor is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gains will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**(k) Foreign currencies:** In the accounts of individual Group undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the exchange rates prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. The results of overseas operations are translated at the average rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves.

**(l) Pension costs:** The Group operates retirement benefits schemes which cover certain employees in the Group. The schemes which are contributory provide for or target defined benefits.

It is the general policy of the Group to provide for and fund pension liabilities on a going concern basis, on the advice of external actuaries, by payments to the fund. An independent actuarial valuation on a going concern basis is carried out every 3 years. The amount charged to the profit and loss account (the regular pension cost) is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members. Any difference between amounts charged in the profit and loss account and paid to the pension fund is shown in the balance sheet as a liability or asset.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Further information on pension costs is provided in note 24(c).

**(m) Grants:** Capital grants from the Football Trust, Football Foundation, Sports Scotland and the Rangers F.C. Development Fund Limited are credited to capital grants, deferred on receipt and released to the profit and loss account over a period approximating to the lives of the relevant assets. Revenue grants are credited to the profit and loss account to match the incurred expenditure.

**(n) Turnover:** Group turnover is stated net of VAT and similar taxes, trade discounts and intra-Group transactions and with the exception of property and football related revenues is recognised based on the value of sales of delivered goods and services supplied in the normal course of business during the period.

Turnover from property includes rental income which is recognised when it becomes receivable and the sale of development properties which is recognised when missives are complete.

Turnover from football gate and match day activity is recognised over the period of the football season on the basis of games played. Other income such as broadcasting revenues is recognised over the course of the season, or in the case of specific games, when earned.

**(o) Leases:** Assets held under finance leases and hire purchase contracts are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. Assets held under finance leases are depreciated over the shorter of their useful economic life and the lease term. Assets held under hire purchase contracts are depreciated over their useful economic life. Finance charges are allocated to accounting periods over the period of the contracts to produce a constant rate of charge on the balance of capital repayments outstanding. Rentals are apportioned between finance charges and reduction of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Further information on charges in the year and future commitments is given in notes 3(c) and 24(a).

**(p) Revaluation reserve:** Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable revaluation reserve. The revaluation reserve is shown in note 19. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred from this reserve to the profit and loss account as a reserve movement. On the disposal of a revalued fixed asset, any remaining revaluation surplus is also transferred to the profit and loss account as a reserve movement.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

1. Accounting policies (continued)

(q) **Derivatives:** The Group uses derivative financial instruments to reduce its exposure to interest rate and currency movements. The Group does not hold or use derivative instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contracts.

2. Segment information

Contributions to Group turnover are as follows:

	2005	2005	2005	2005	2004
	Continuing	Acquired	Discontinued	Total	All
	£'000	£'000	£'000	£'000	Continuing
					£'000
By activity:					
Metals	235,975	18,461	-	254,436	166,201
Property	52,108	-	-	52,108	28,820
Corporate finance and private equity	36,489	-	8,336	44,825	41,126
Mining	17,018	-	-	17,018	12,390
Football	-	9,335	-	9,335	-
	<u>341,590</u>	<u>27,796</u>	<u>8,336</u>	<u>377,722</u>	<u>248,537</u>
By geographical destination:					
United Kingdom				300,014	193,278
Outwith the United Kingdom				77,708	55,259
				<u>377,722</u>	<u>248,537</u>
By geographical origin:					
United Kingdom				276,812	202,595
Outwith the United Kingdom				100,910	45,942
				<u>377,722</u>	<u>248,537</u>

Segmental information on a net assets basis is not provided as it is considered to be commercially sensitive.

3. Operating profit

Operating profit is stated after charging the following:

	2005	2005	2005	2005	2004
	Continuing	Acquired	Discontinued	Total	All
	£'000	£'000	£'000	£'000	Continuing
					£'000
(a) Cost of sales	<u>260,362</u>	<u>15,707</u>	<u>8,364</u>	<u>284,433</u>	<u>195,582</u>
(b) Other operating expenses (net)					
Distribution costs	16,132	481	-	16,613	13,197
Administrative expenses	36,132	14,630	1,747	52,509	30,923
	<u>52,264</u>	<u>15,111</u>	<u>1,747</u>	<u>69,122</u>	<u>44,120</u>

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**3. Operating profit (continued)**

	<b>2005</b>	2004
<b>(e) Miscellaneous</b>	<b>£'000</b>	£'000
Depreciation and amounts written off tangible fixed assets		
- owned assets	<b>9,985</b>	4,131
- held under finance leases and hire purchase contracts	<b>2,644</b>	2,832
Amortisation of goodwill and other intangible fixed assets	<b>2,412</b>	1,484
Write off of other intangible fixed assets	<b>798</b>	-
Amortisation of player registrations	<b>2,461</b>	-
Goodwill reversal on disposal of property investment company	-	495
Operating lease rentals		
- property	<b>1,718</b>	620
- other	<b>1,380</b>	1,216
Auditors' remuneration		
- audit services	<b>270</b>	222
- non-audit services	<b>41</b>	6
Loss on sale of tangible fixed assets	<b>163</b>	261
Increase in restoration provision (see Note 17)	<b>3,000</b>	-
	<hr/>	<hr/>

**4. Gain on sale of fixed assets and investments**

	<b>2005</b>	<b>2005</b>	<b>2005</b>	2004
	<b>Continuing</b>	<b>Acquired</b>	<b>Total</b>	All
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	Continuing
				£'000
Gain on sale of player registrations	-	<b>6,115</b>	<b>6,115</b>	-
Gain on disposal of investment properties	<b>4,413</b>	-	<b>4,413</b>	6,765
Gain on the sale of investments	<b>2,639</b>	-	<b>2,639</b>	3,148
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>7,052</b>	<b>6,115</b>	<b>13,167</b>	<b>9,913</b>

Details on the gain on sale of investments in the current year are given in Note 11(d).

**5. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after the following:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
<b>(a) Investment income</b>		
Income from fixed asset investments	<b>45</b>	-
<b>(b) Net interest payable and similar charges</b>		
Bank loans and overdrafts	<b>17,796</b>	10,682
Less: bank interest receivable	<b>(975)</b>	(446)
Net bank interest payable	<b>16,821</b>	10,236
Finance leases and hire purchase contracts	<b>387</b>	495
Other loans	<b>237</b>	61
	<hr/>	<hr/>
Less: interest capitalised on development properties	<b>17,445</b>	10,792
	<b>(418)</b>	(274)
	<hr/>	<hr/>
	<b>17,027</b>	<b>10,518</b>

Interest capitalised is based on normal commercial rates.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

<b>6. Staff costs</b>		<b>2005</b>	2004
		<b>£'000</b>	£'000
Employee costs during the year amounted to:			
Wages and salaries		<b>46,271</b>	28,234
Social security costs		<b>4,213</b>	2,585
Pension costs		<b>2,353</b>	1,419
Contributions to remuneration trust		<b>3,892</b>	2,951
		<b>56,729</b>	35,189

The 'Murray Group Management Limited Remuneration Trust', was established as an independently administered trust, to provide incentives to certain employees. Contributions to the Trust are charged to the Group profit and loss account in the year incurred.

The average monthly number of employees during the year, including executive directors, was as follows:	<b>2005</b>	2004
	<b>Number</b>	Number
Production and sales	<b>2,678</b>	2,632
Administration	<b>656</b>	285
	<b>3,334</b>	2,917

Directors' remuneration during the year amounted to:	<b>2005</b>	2004
	<b>£'000</b>	£'000
Fees	<b>103</b>	107
Emoluments	<b>1,549</b>	1,358
Contributions to money purchase pension schemes	<b>1,330</b>	556
	<b>2,982</b>	2,021

The directors' remuneration shown above included the following in respect of the highest paid director:	<b>2005</b>	2004
	<b>£'000</b>	£'000
Emoluments	<b>715</b>	663
Contributions to money purchase pension schemes	<b>990</b>	240
	<b>1,705</b>	903

The number of directors who were members of pension schemes was as follows:	<b>2005</b>	2004
	<b>Number</b>	Number
Money purchase schemes	<b>5</b>	5

<b>7. Tax on profit on ordinary activities</b>		<b>2005</b>	2004
		<b>£'000</b>	£'000
<b>Current tax:</b>			
UK corporation tax		<b>2,811</b>	73
Overseas tax		<b>1,624</b>	727
		<b>4,435</b>	800
Adjustments in respect of prior years - UK corporation tax		<b>355</b>	(136)
<b>Total current tax charge</b>		<b>4,790</b>	664
<b>Deferred tax:</b>			
Origination and reversal of timing differences		<b>322</b>	(65)
Decrease in estimate of recoverable deferred tax asset		<b>327</b>	866
<b>Total deferred tax charge (note 17)</b>		<b>649</b>	801
<b>Share of joint ventures' tax credit</b>		<b>(51)</b>	(112)
<b>Total tax charge on profit on ordinary activities</b>		<b>5,388</b>	1,353

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**7. Tax on profit on ordinary activities (continued)**

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit on ordinary activities before tax</b>	<b>20,128</b>	18,005
Add back share of joint ventures' loss before tax	<b>224</b>	277
<b>Group profit on ordinary activities before tax</b>	<b>20,352</b>	18,282
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2004 - 30%)	<b>6,106</b>	5,485
Effects of:		
Expenses not deductible for tax purposes	<b>3,789</b>	3,022
Capital allowances in excess of depreciation	<b>(232)</b>	(2,184)
Tax losses arising/(utilisation of tax losses)	<b>647</b>	(1,645)
Capital gains	<b>1,125</b>	5,473
Adjustments for long accounting periods/acquisitions	<b>1,442</b>	60
Adjustments to tax credit / (charge) in respect of previous periods	<b>355</b>	(136)
Adjustments for overseas tax	<b>(376)</b>	(34)
Dividends from UK companies	<b>(14)</b>	-
Short term timing differences	<b>885</b>	(334)
Non taxable income and gains	<b>(8,933)</b>	(9,034)
Corporate venturing scheme relief	<b>(4)</b>	(9)
<b>Group current tax charge for year</b>	<b>4,790</b>	664

The Group earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

**8. Dividends paid and proposed**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Non-equity shares:		
Dividend proposed of 5.17p (2004 - 5.9p) per share	<b>769</b>	883
Equity share:	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Final dividend proposed of 41.2p (2004 - 34.2p) per share	<b>5,115</b>	4,216

In the current year certain shareholders waived their entitlement to receive £917,000 of dividends (2004 - £783,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

9. Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	2005 £'000	2004 £'000
<b>Group</b>		
Land and buildings		
Freehold	159,475	38,427
Leasehold	6,552	2,907
Development properties	84,080	31,174
Investment properties	265,309	126,321
Plant, equipment & vehicles	25,839	19,252
	<u>541,255</u>	<u>218,081</u>

The movement in the year was as follows:

<b>Group</b>	Land and buildings				Plant & vehicles £'000	Total £'000
	Freehold £'000	Leasehold £'000	Development properties £'000	Investment properties £'000		
Cost or valuation:						
At 31 January 2004	40,562	3,817	31,174	126,321	46,001	247,875
Additions	127,375	4,129	56,344	192,532	15,498	395,878
Revaluations	-	-	-	1,000	-	1,000
Transfers	-	-	26,602	(26,602)	-	-
Transfer to stock	-	-	(6,825)	(4,213)	-	(11,038)
Disposals	(1,134)	(47)	(23,215)	(23,729)	(6,883)	(55,008)
Exchange adjustments	(10)	-	-	-	(29)	(39)
<b>At 31 January 2005</b>	<u>166,793</u>	<u>7,899</u>	<u>84,080</u>	<u>265,309</u>	<u>54,587</u>	<u>578,668</u>
Depreciation:						
At 31 January 2004	2,135	910	-	-	26,749	29,794
Charge for the year:						
- owned assets	5,186	463	-	-	4,336	9,985
- HP/leased assets	-	-	-	-	2,644	2,644
Disposals	-	(26)	-	-	(4,961)	(4,987)
Exchange adjustments	(3)	-	-	-	(20)	(23)
<b>At 31 January 2005</b>	<u>7,318</u>	<u>1,347</u>	<u>-</u>	<u>-</u>	<u>28,748</u>	<u>37,413</u>
<b>Net book value at 31 January 2005</b>	<u>159,475</u>	<u>6,552</u>	<u>84,080</u>	<u>265,309</u>	<u>25,839</u>	<u>541,255</u>
Net book value at 31 January 2004	38,427	2,907	31,174	126,321	19,252	218,081
Leased assets included in the above:						
<b>Net book value at 31 January 2005</b>	-	-	-	-	6,912	6,912
Net book value at 31 January 2004	-	-	-	-	8,956	8,956

Leasehold land and buildings are shown at cost. The net book value of leasehold interests includes £3,464,000 of long term leases.

Investment properties, the majority of which are all freehold, were valued on an open market existing use basis, by the directors as at 31 January 2005. In accordance with SSAP19, the investment properties are not depreciated. The valuation was undertaken by an officer of the Group who is a qualified chartered surveyor. The valuation was made in full compliance with RICS Appraisal and Valuation Manual. Prior to acquisition, all investment properties are externally valued.

The historical cost of investment properties at the year end was £262,758,000 (2004 - £124,301,000).

Cumulative interest capitalised included in the cost of the development properties leasehold land and buildings amounts to £760,000 (2004 - £1,365,000).

The Company has no tangible fixed assets (2004 - £nil).

The Ibrox Stadium and football training facilities, included within freehold land and buildings, acquired with the purchase of The Rangers Football Club plc (see Note 11(c)) are valued on a depreciated replacement cost basis. The valuation was determined as a 30 June 2003 by Messrs. D.M. Hall, Chartered Surveyors. The directors consider that there has been no material change in the valuation since the date of acquisition. The value of these assets on the date of acquisition was £121,472,000.

Land and buildings and plant and equipment are shown at cost or valuation as detailed below:

	2005		2004	
	Land and buildings £'000	Plant equipment and vehicles £'000	Land and buildings £'000	Plant equipment and vehicles £'000
Professionally valued	265,309	-	126,321	-
At cost	258,772	54,587	75,553	46,001
Cost or valuation at 31 January	<u>524,081</u>	<u>54,587</u>	<u>201,874</u>	<u>46,001</u>

It is not possible to quantify the original cost and aggregate depreciation based on cost.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**10. Intangible fixed assets**

The following are included in the net book value of intangible fixed assets:

	<b>Group 2005 £'000</b>	Group 2004 £'000
Goodwill	93,019	3,201
Player registrations	8,445	-
Other intangible fixed assets	940	1,419
	<b>102,404</b>	<b>4,620</b>

The movement in the year was as follows:

	<b>Goodwill £'000</b>	<b>Player registrations £'000</b>	<b>Other intangible fixed assets £'000</b>	<b>Total £'000</b>
Cost:				
At 31 January 2004	7,623	-	1,705	9,328
Additions	92,096	11,873	1,587	105,556
Disposals	(1,249)	(967)	(110)	(2,326)
<b>At 31 January 2005</b>	<b>98,470</b>	<b>10,906</b>	<b>3,182</b>	<b>112,558</b>
Amortisation:				
At 31 January 2004	4,422	-	286	4,708
Charge for the year	1,254	2,461	1,956	5,671
Disposals	(225)	-	-	(225)
<b>At 31 January 2005</b>	<b>5,451</b>	<b>2,461</b>	<b>2,242</b>	<b>10,154</b>
<b>Net book value at 31 January 2005</b>	<b>93,019</b>	<b>8,445</b>	<b>940</b>	<b>102,404</b>
Net book value at 31 January 2004	3,201	-	1,419	4,620

Included within the additions to goodwill is £68,140,000 of goodwill relating to the purchase of The Rangers Football Club plc (see Note 11(e)) and £23,185,000 relating to the purchase of the Material Logistics Group Limited (see Note 11(b)).

Other intangible fixed assets represent mineral rights, licence costs, site development costs and trade marks. The Company has no intangible fixed assets (2004 - £nil).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

11. Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Subsidiary undertakings	-	-	1,485	1,485
Joint ventures	3,037	3,414	-	-
Other investments	9,268	7,362	-	-
	<u>12,305</u>	<u>10,776</u>	<u>1,485</u>	<u>1,485</u>

The movement in the year was as follows:

	Group		Company	
	Joint ventures £'000	Other investments £'000	Subsidiary undertakings £'000	
Cost:				
At 31 January 2004	3,414	11,579	1,485	
Acquisitions	(276)	8,056	-	
Elevation to subsidiary undertaking (Note 11(c))	-	(9,613)	-	
Share of retained loss for the year	(173)	-	-	
<b>At 31 January 2005</b>	<u>2,965</u>	<u>10,022</u>	<u>1,485</u>	
Provision for impairment:				
Amounts written off at 31 January 2004	-	4,217	-	
Elevation to subsidiary undertaking (Note 11(c))	-	(4,217)	-	
Elimination of unrealised profit on consolidation	72	-	-	
Amounts written off in the year	-	(754)	-	
	<u>72</u>	<u>(754)</u>		
<b>Net book value at 31 January 2005</b>	<u>3,037</u>	<u>9,268</u>	<u>1,485</u>	
Net book value at 31 January 2004	<u>3,414</u>	<u>7,362</u>	<u>1,485</u>	

Subsidiary undertakings:

The principal trading subsidiary undertakings of the Company at 31 January 2005 were as follows:

	Country of incorporation	Principal activity	Percentage control by Group at 31 January 2005
Murray Group Management Limited	United Kingdom	Management services	100
Murray International Metals Limited	United Kingdom	Steel stockholding and trading	90
Austin Trumanns Steel Limited	United Kingdom	Steel stockholding and trading	95
Austin Trumanns Ireland Limited	United Kingdom	Steel stockholding and trading	95
Austin Trumanns Scotland Limited	United Kingdom	Steel stockholding and trading	95
Premier Alloys Limited	United Kingdom	Metal stockholding and trading	90
Northern Steel Stocks Limited	United Kingdom	Steel trading	100
Forth Steel Limited	United Kingdom	Metal processing	93
Multi Metals Limited	United Kingdom	Metal stockholding and processing	100
Apollo Metals Limited	United Kingdom	Steel trading	95
Ireland Alloys Limited	United Kingdom	Buying and selling secondary alloy materials	100
The Premier Property Group Limited	United Kingdom	Property development and investment	100
PPG Metro Limited	United Kingdom	Property investment	52
PPG Land Limited	United Kingdom	Property development and investment	95
The Rangers Football Club plc	United Kingdom	Operation of a football club	57
G M Mining Limited	United Kingdom	Opencast mining	100
Eden Waste Recycling Limited	United Kingdom	Waste recycling	95
Charlotte Ventures Limited	United Kingdom	Corporate finance and private equity	100
Response Handling Limited	United Kingdom	Contact centre	95
November Leisure Limited	United Kingdom	Food and beverage outlets	100

All of the above companies are held indirectly through subsidiary undertakings.

Percentage control is gained through the holding of ordinary share capital in each of the principal subsidiaries.

The Rangers Football Club plc has a year end of 30 June due to the market in which it operates in line with other companies in that sector.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**11. Fixed asset investments (continued)**

*Aquisition of subsidiary undertakings:*

- (a) On 5 August 2004 the Group acquired 100% of Ireland Alloys Limited. The fair value of the net assets acquired was not materially different from the book value. The net assets acquired and related purchase consideration are as follows:

	<b>£'000</b>
Tangible fixed assets	1,247
Current assets	3,659
Creditors due within one year	(4,906)
	-
Net assets acquired	-
Purchase consideration	-
	-
Net cash outflow in respect of the purchase were:	
Bank overdraft and loans acquired	(3,359)

From the date of aquisition to 31 January 2005, Ireland Alloys Limited made an operating profit of £290,000 and a profit after tax of £728,000. From 1 September 2003 to the date of acquisition, Ireland Alloys Limited made an operating profit of £113,000 and loss after tax of £907,000 and for the year ended 31 August 2003 an operating loss of £460,000 and a loss after tax of £612,000.

- (b) On 3 December 2004 the Group acquired 95% of the Material Logistics Group Limited, which includes Apollo Metals Limited. The fair value of the net liabilities acquired was not materially different from the book value. The net liabilities acquired and related purchase consideration are as follows:

	<b>£'000</b>
Tangible fixed assets	5,857
Current assets	38,677
Creditors due within one year	(23,474)
Creditors due after more than one year	(15,465)
	5,595
Minority interests	(28,780)
Net liabilities acquired	(23,185)
Purchase consideration	-
	-
Goodwill on acquisition	23,185
	-
Net cash outflows in respect of the purchase were:	
Bank overdraft	(5,915)
Bank loan	(15,450)
	(21,365)

From the date of aquisition to 31 January 2005, Material Logistics Group Limited made an operating loss of £1,100,000 and a loss after tax of £698,000. From 1 January 2004 to the date of acquisition, Material Logistics Group Limited made an operating loss of £2,286,000 and a loss after tax of £5,838,000 and for the year ended 31 December 2003 an operating loss of £4,354,000 and a loss after tax of £7,937,000.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

11. Fixed asset investments (continued)

- (c) On 9 December 2004 the Group acquired its direct shareholding in The Rangers Football Club plc of 57% via a rights issue. As a result of this acquisition the Group has also consolidated Murray Sports Limited, the former parent company of The Rangers Football Club plc, as the directors consider that the Group exerts dominant influence over Murray Sports Limited as defined in FRS 2. The Group owns 7.2% of the issued share capital of Murray Sports Limited.

The fair value of the net assets acquired was not materially different from the book value. The net assets acquired and related purchase consideration are as follows: -

	<b>£'000</b>
Tangible fixed assets	127,329
Intangible fixed assets	3,826
Current assets	12,521
Creditors due within one year	(26,220)
Creditors due after one year	(97,521)
	<u>19,935</u>
Less: minority interests	(31,349)
	<u>(11,414)</u>
Purchase consideration	
Cash consideration in the current year	58,975
Cash consideration in previous years	9,613
Total consideration	<u>68,588</u>
Goodwill on acquisition	80,002
Less: provision for impairment in prior years	(11,862)
	<u>68,140</u>
Net cash outflows in respect of the purchase, excluding consideration, were:	
Cash	10
Bank overdraft & loan	(23,472)
	<u>(23,462)</u>

From the date of acquisition to 31 January 2005 The Rangers Football Club plc made an operating loss of £2,212,000 and a profit after tax of £4,264,000.

Summarised profit and loss accounts of The Rangers Football Club plc for the period ended 8 December 2004 and the year ended 30 June 2004 are set out below:

	<b>1 July 2004 to 8 December 2004 £'000</b>	<b>Year to 30 June 2004 £'000</b>
Turnover	<u>25,837</u>	<u>57,079</u>
Operating loss	(1,359)	(10,505)
Exceptional items		
- Gain on sale of fixed assets	2,452	8,621
Net interest payable	(1,834)	(4,055)
Loss before taxation	(741)	(5,939)
Taxation	-	-
Loss after taxation	<u>(741)</u>	<u>(5,939)</u>

The Group owns 7.2% of the issued ordinary share capital of Murray Sports Limited. The shares were acquired on 31 March 2000 for a total consideration of £9,299,000. In the year to 31 January 2003 a provision against this investment of £4,217,000 was made. The Group also previously acquired 209,000 shares in The Rangers Football Club plc for a total consideration of £314,000.

These investments were included within other investments in the prior year.

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

### 11. Fixed asset investments (continued)

*Disposal of subsidiary undertakings:*

- (d) On 30 September 2004, as part of a restructure, the Group disposed of its majority shareholding of Azure Support Services Limited and its subsidiaries. The operating loss of these companies up to the date of disposal was £1,775,000 (2004 - £609,000) and the loss after tax was £1,900,000 (2004 - £1,220,000).

Net liabilities disposed of and the related sales proceeds are as follows:

	<b>£'000</b>
Tangible fixed assets	185
Intangible fixed assets	1,025
Current assets	3,447
Creditors	(8,889)
Net liabilities	(4,232)
Minority interest disposed	1,593
Sales proceeds	-
Gain on sale	(2,639)
Net cash inflow in respect of sale were:	
Cash at bank disposed	(1,273)
Bank overdraft disposed	5,871
	4,598

- (e) In the prior year the Group disposed of 25% of the ordinary share capital of the PPG (Lothian) Limited for a total consideration of £12,500,000, giving rise to a profit of £10,307,000.

*Associated undertakings and joint ventures:*

The joint ventures of the Group at 31 January 2005 were as follows:

	<b>Percentage of ordinary shares held at 31 January 2005</b>
PPG (Lothian) Limited*	50
Port Royal Golf Limited**	50
Premier Burrell Limited*	50
Bretton Street Developments Limited*	48

\* Held indirectly through subsidiary undertaking.

\*\* Held indirectly through joint venture undertaking.

The principal activity of PPG (Lothian) Limited, Premier Burrell Limited and Bretton Street Developments Limited is property development. The principal activity of Port Royal Golf Limited is the operation of leisure facilities. Included within the Group's investment in these companies are loans of £506,000 (2004 - £506,000) and goodwill of £596,000 (2004 - £596,000). Goodwill in respect of such project-specific joint ventures is not amortised, but is subject to annual impairment reviews.

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Gross assets	<b>13,482</b>	6,769
Gross liabilities	<b>(11,281)</b>	(4,390)
Net assets	<b>2,201</b>	2,379

*Other investments:*

Included in other investments is a debenture with a par value of \$1,000,000. The debenture matures on 30 June 2022 on which date it will be redeemed. The debentures bear a commercial rate of return.

In the current year the Group acquired a 30% share of the ordinary share capital of Alexander Dennis Limited for £4,500,000. As part of the restructure of Azure Support Services Limited and subsidiaries, the Group acquired a 49% share in Eliance Events Limited for £2,386,000.

### 12. Stocks

	<b>Group</b>	<b>Group</b>
	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Goods for resale	<b>54,189</b>	32,906
Raw materials	<b>24,492</b>	1,544
Development properties	<b>15,460</b>	-
Work in progress	<b>689</b>	274
Long-term contract balances	-	286
	<b>94,830</b>	35,010

In the opinion of the directors the replacement cost of stocks is not materially different from their balance sheet value.

Cumulative interest capitalised included in the cost of development properties amounts to £229,000 (2004 - £nil).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

<b>13. Debtors</b>	<b>Group 2005 £'000</b>	Group 2004 £'000	<b>Company 2005 £'000</b>	Company 2004 £'000
Amounts falling due within one year:				
Trade debtors	<b>102,988</b>	48,107	-	-
Amounts owed by subsidiary undertakings	-	-	<b>1,000</b>	10,034
Amounts owed by joint venture undertakings	<b>4,123</b>	4,020	-	-
Amounts owed by related parties	<b>145</b>	9,646	-	-
UK corporation tax recoverable	<b>2,009</b>	255	-	-
VAT recoverable	<b>1,116</b>	159	-	-
Other debtors	<b>12,587</b>	9,738	<b>206</b>	120
Amounts recoverable on contracts	-	59	-	-
Prepayments and accrued income	<b>6,256</b>	3,364	-	-
	<b>129,224</b>	75,348	<b>1,206</b>	10,154
Amounts falling due after more than one year:				
Loan notes	-	52,958	-	-
Other debtors	<b>167</b>	224	-	-
Trade debtors	<b>189</b>	-	-	-
Deferred tax asset (note 17)	<b>670</b>	1,443	-	-
	<b>1,026</b>	54,625	-	-
	<b>130,250</b>	129,973	<b>1,206</b>	10,154

The loan notes in the prior year were due from Murray Sports Limited, which was consolidated by the Group in the current year, see Note 11(c). The loan notes therefore eliminate on consolidation in the current year.

<b>14. Current asset investments</b>	<b>Group 2005 £'000</b>	Group 2004 £'000
Shares listed on UK stock exchange	-	5,936
Other current asset investments	<b>40</b>	40
	<b>40</b>	5,976

The market value of the shares listed on the UK stock exchange as at 31 January 2005 is £nil (2004 - £5,936,000). The shares have been marked to market at 31 January 2004. The historical cost of the listed shares is £nil (2004 - £5,816,000).

<b>15. Creditors: Amounts falling due within one year</b>	<b>Group 2005 £'000</b>	Group 2004 £'000	<b>Company 2005 £'000</b>	Company 2004 £'000
Bank overdrafts (secured)	<b>46,311</b>	65,431	-	-
Bank loans (secured)	<b>692</b>	1,542	-	-
Trade creditors	<b>73,836</b>	38,895	-	-
Finance lease and hire purchase obligations	<b>2,413</b>	2,870	-	-
Loan notes	<b>1,941</b>	70	-	-
Amounts owed to subsidiary undertakings	-	-	<b>154</b>	-
Amounts owed to associated undertakings	<b>3</b>	32	-	-
Corporation tax payable	<b>4,135</b>	90	-	-
Other taxes and social security	<b>5,424</b>	1,444	-	-
VAT payable	<b>1,888</b>	2,368	-	-
Other creditors	<b>1,987</b>	2,989	-	-
Accruals and deferred income	<b>40,607</b>	12,463	-	-
Capital grants deferred	<b>373</b>	-	-	-
Dividends payable				
- equity shareholders	<b>5,115</b>	4,216	<b>5,115</b>	4,216
- non-equity shareholders	<b>769</b>	883	<b>769</b>	883
	<b>185,494</b>	133,293	<b>6,038</b>	5,099

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**15. Creditors: Amounts falling due within one year (continued)**

Security for the bank loan and overdraft facilities extended to the Group comprises:

- (a) fixed securities on certain properties and
- (b) bonds and floating charges or debentures on the assets of the Company and certain of its subsidiary undertakings together with cross guarantees given by certain of those companies.

Bank loans bear interest at commercial rates.

**16. Creditors: Amounts falling due after more than one year**

	<b>Group 2005 £'000</b>	Group 2004 £'000
Bank loans and overdrafts	500,518	164,285
Trade creditors	2,522	-
Finance lease and hire purchase obligations	6,166	2,445
Loan notes	2,710	1,780
Deferred purchase consideration	-	4,000
Amounts due to associated undertakings	2,500	-
Capital grants deferred	9,632	-
	<b>524,048</b>	<b>172,510</b>

Repayments on total borrowings are due as follows:

	<b>Group 2005 £'000</b>	Group 2004 £'000
Bank loans and overdrafts		
On demand or within 1 year	47,003	66,973
Between 1 and 2 years	184,733	73,508
Between 2 and 5 years	245,303	21,681
After 5 years	70,482	69,096
	<b>547,521</b>	<b>231,258</b>
Loan notes		
On demand or within 1 year	1,941	70
Between 2 and 5 years	2,710	1,780
	<b>4,651</b>	<b>1,850</b>
Finance leases and hire purchase obligations		
On demand or within 1 year	2,413	2,870
Between 1 and 2 years	1,318	1,664
Between 2 and 5 years	907	781
After 5 years	3,941	-
	<b>8,579</b>	<b>5,315</b>
Deferred purchase consideration		
Between 1 and 2 years	-	4,000
	<b>-</b>	<b>4,000</b>
Total borrowings		
On demand or within 1 year	51,357	69,913
Between 1 and 2 years	186,051	79,172
Between 2 and 5 years	248,920	24,242
After 5 years	74,423	69,096
	<b>560,751</b>	<b>242,423</b>

The following term loans are included within borrowings due after more than 5 years:

- (a) A term loan of £34,850,000 repayable in one instalment by 30 June 2010 or earlier dependent on the sale of certain investment properties;
- (b) A term loan of £22,000,000 repayable over 22 years in instalments from 2007; and
- (c) A term loan of £15,000,000 repayable by instalments by 30 September 2019.

All loans bear interest at commercial rates.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

17. Provisions for liabilities and charges

	<b>Group 2005 £'000</b>	Group 2004 £'000
Provisions comprise:		
Other provisions	<b>3,591</b>	591

Deferred taxation has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that the liability will be realised.

Other provisions relate to land restoration for opencast mining. It is expected that this expenditure will be incurred within approximately 3 years.

The movement on provisions during the year comprises:

	<b>Deferred taxation</b>		<b>Other provisions</b>	
	<b>2005 £'000</b>	2004 £'000	<b>2005 £'000</b>	2004 £'000
Beginning of year	<b>(1,443)</b>	(1,945)	<b>591</b>	591
Charged to profit and loss account	<b>649</b>	801	<b>3,000</b>	-
Disposals of subsidiaries	<b>124</b>	(299)	<b>-</b>	-
	<b>(670)</b>	(1,443)	<b>3,591</b>	591

There is an unrecognised deferred tax asset of £13,555,000 (2004 – £4,501,000) which represents unrelieved tax losses. The directors do not consider it appropriate to recognise a deferred tax asset for such losses (see Note 1(j))

The retained earnings of certain foreign subsidiary undertakings would be subject to additional taxation if distributed. In the opinion of the directors these retained earnings are required to finance the continuing operations of these subsidiary undertakings and accordingly, no provision for additional taxation has been made.

	<b>2005 £'000</b>	2004 £'000
Deferred tax is provided as follows:		
<b>Group</b>		
Accelerated capital allowances	<b>1,130</b>	217
Other timing differences	<b>(751)</b>	(264)
Tax losses available	<b>(1,049)</b>	(1,396)
	<b>(670)</b>	(1,443)
<b>Transferred to debtors (note 13)</b>	<b>670</b>	1,443
<b>Provision for deferred tax</b>	<b>-</b>	-

18. Called-up share capital

	<b>2005 £'000</b>	2004 £'000
Authorised:		
15,000,000 ordinary shares of 10p each - equity	<b>1,500</b>	1,500
15,000,000 5.125% cumulative redeemable preference shares of £1 each - non-equity	<b>15,000</b>	15,000
	<b>16,500</b>	16,500
Issued and fully paid:		
14,634,839 (2004 - 14,634,839) ordinary shares of 10p each - equity	<b>1,464</b>	1,464
15,000,000 5.125% cumulative redeemable preference shares of £1 each - non-equity	<b>15,000</b>	15,000
	<b>16,464</b>	16,464

The cumulative redeemable preference shares are redeemable on 31 January 2011 and have no voting rights.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**19. Reserves**

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or non-distributable:

	<b>Group 2005 £'000</b>	Group 2004 £'000	<b>Company 2005 £'000</b>	Company 2004 £'000
Distributable				
Profit and loss account	<b>39,273</b>	36,494	<b>951</b>	5,120
Translation reserve	<b>(2,209)</b>	(1,843)	-	-
Non-distributable				
Consolidation reserve	<b>5,032</b>	5,032	-	-
Investment property revaluation reserve	<b>2,551</b>	2,020	-	-
Share premium account	<b>19,868</b>	19,868	-	-
Capital redemption reserve	<b>15,022</b>	15,022	<b>22</b>	22
	<b>79,537</b>	76,593	<b>973</b>	5,142

The movement during the year on distributable reserves was as follows:

	<b>Group Profit and loss account £'000</b>	<b>Group Translation reserve £'000</b>	<b>Company Profit and loss account £'000</b>
At 31 January 2004	36,494	(1,843)	5,120
Profit/(loss) for the year	8,064	-	(4,169)
Transfer to minority interest	(5,286)	-	-
Exchange adjustment	1	(366)	-
<b>At 31 January 2005</b>	<b>39,273</b>	<b>(2,209)</b>	<b>951</b>

The movement during the year on non-distributable reserves was as follows:

	<b>Group Consolidation reserve £'000</b>	<b>Group Revaluation reserve £'000</b>	<b>Group Share premium account £'000</b>	<b>Group Capital redemption reserve £'000</b>	<b>Company Capital redemption reserve £'000</b>
At 31 January 2004	5,032	2,020	19,868	15,022	22
Unrealised surplus on revaluation of investment property	-	1,000	-	-	-
Minority interest share of surplus on revaluation	-	(469)	-	-	-
<b>At 31 January 2005</b>	<b>5,032</b>	<b>2,551</b>	<b>19,868</b>	<b>15,022</b>	<b>22</b>

The cumulative amount of goodwill written off directly to Group reserves is £5,170,000 (2004 - £5,170,000). The cumulative amount of negative goodwill added to Group reserves is £7,270,000 (2004 - £7,270,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

20. Reconciliation of movement in shareholders' funds

	<b>Group 2005 £'000</b>	Group 2004 £'000	<b>Company 2005 £'000</b>	Company 2004 £'000
Total recognised gains and losses relating to the year	<b>14,113</b>	18,099	<b>1,715</b>	10,496
Dividends to non-equity shareholders	<b>(769)</b>	(883)	<b>(769)</b>	(883)
Dividends to equity shareholders	<b>(5,115)</b>	(4,216)	<b>(5,115)</b>	(4,216)
Purchase of ordinary shares	-	(878)	-	(878)
Transfer to minority interests	<b>(5,286)</b>	(110)	-	-
Goodwill reversal on disposals	-	495	-	-
Exchange movements	<b>1</b>	12	-	-
Realisation of surplus on investment property	-	1,265	-	-
Movement on disposal of subsidiary undertakings	-	(125)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Movement in shareholders' funds	<b>2,944</b>	13,659	<b>(4,169)</b>	4,519
Opening shareholders' funds	<b>93,057</b>	79,398	<b>21,606</b>	17,087
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<b>96,001</b>	93,057	<b>17,437</b>	21,606
	<hr/>	<hr/>	<hr/>	<hr/>
Represented by:				
Equity interests	<b>81,001</b>	78,057	<b>2,437</b>	6,606
Non-equity interests	<b>15,000</b>	15,000	<b>15,000</b>	15,000
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>96,001</b>	93,057	<b>17,437</b>	21,606

21. Minority interests

	Equity interests £'000	Non equity interests £'000	Rangers Bond £'000	<b>Total £'000</b>
At 31 January 2004	7,365	-	-	7,365
Share of profit on ordinary activities after tax	792	-	-	792
Dividends paid or payable	(505)	-	-	(505)
Minorities disposed	6,542	-	-	6,542
Minorities purchased	7,871	45,000	8,512	61,383
Minorities issued	315	-	-	315
Share of other reserve movements	428	-	-	428
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 January 2005</b>	<b>22,808</b>	<b>45,000</b>	<b>8,512</b>	<b>76,320</b>

The Rangers Bond represents debentures which are unsecured and no interest is payable. The debentures are repayable at the discretion of the Group on or after 16 December 2026 or if The Rangers Football Club plc permanently ceases to carry on its business at the Ibrox Stadium.

The bonds entitle the holders to designated seats and certain additional rights to use the facilities within the Ibrox Stadium.

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**22. Analysis of cash flows**

	<b>Group 2005 £'000</b>	Group 2004 £'000
<b>(a) Returns on investments and servicing of finance</b>		
Interest received	795	75
Interest paid	(16,444)	(10,235)
Interest element of finance lease and hire purchase rentals	(387)	(495)
Dividends received	45	-
Preference dividend paid	(883)	(1,125)
Dividends paid to minority interests	(505)	(1,717)
Net cash outflow	(17,379)	(13,497)
<b>(b) Taxation</b>		
UK corporation tax paid	(785)	(184)
Overseas tax paid	(1,714)	(563)
Net cash outflow	(2,499)	(747)
<b>(c) Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	(7,805)	(839)
Purchase of tangible fixed assets	(260,419)	(96,454)
Purchase of investments	(8,043)	(1,008)
Repayment of loan by joint venture	-	37
Sale of tangible fixed assets	56,769	57,478
Sale of intangible assets	8,902	-
Net cash outflow	(210,596)	(40,786)
<b>(d) Acquisitions and disposals</b>		
Purchase of associated undertakings	-	(670)
Purchase of subsidiary undertakings	(58,975)	(524)
Sale of subsidiary undertakings	-	24,059
Cash balances (disposed) / acquired	-	(248)
Overdraft balances acquired	-	(5,795)
Net cash (outflow) / inflow	(58,975)	16,822
<b>(e) Equity dividends paid</b>	(4,216)	(1,180)
<b>(f) Management of liquid resources</b>		
Sale / (purchase) of current asset investments	6,453	(5,936)
<b>(g) Financing</b>		
Issue of shares in subsidiary undertakings to minority interest	855	-
Purchase of ordinary shares	-	(878)
Repayment of borrowings	(651)	(38,096)
Capital element of finance lease and hire purchase rental payments	(2,939)	(3,373)
New bank borrowings	175,337	46,940
Loan notes repaid	(493)	(3,446)
Net cash inflow	172,109	1,147

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

23. Analysis of changes in net debt

	Start of year £'000	Cash flow £'000	Acquisitions and disposals £'000	Other non-cash changes £'000	End of year £'000
Cash at bank and in hand	2,380	3,253	(1,263)	-	4,370
Bank overdrafts	(125,431)	(99,591)	(5,600)	339	(230,283)
	(123,051)	(96,338)	(6,863)	339	(225,913)
Debt due after more than 1 year	(106,065)	(176,466)	(36,725)	-	(319,256)
Debt due within 1 year	(1,612)	2,273	(3,294)	-	(2,633)
Finance leases	(5,315)	2,939	(5,177)	(1,026)	(8,579)
Current asset investments	5,976	(5,936)	-	-	40
<b>Net debt</b>	<b>(230,067)</b>	<b>(273,528)</b>	<b>(52,059)</b>	<b>(687)</b>	<b>(556,341)</b>

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £1,026,000 (2004 - £798,000).

Included in bank overdrafts are amounts due after one year of £93,972,000 (2004 - £60,000,000) and a revolving credit facility due in more than one year of £90,000,000 (2004 - £nil).

24. Contingent liabilities, guarantees and other financial commitments

*Contingent liabilities and guarantees:*

- The Company has guaranteed bank borrowings of subsidiary and associated undertakings which at 31 January 2005 amounted to £255,335,408 (2004 - £140,093,000).
- The Group have made counter indemnities in favour of its bankers, Bank of Scotland, up to a sum of £3,994,000 (2004 - £4,908,000) in respect of guarantees provided by the bank in favour of local councils and the Coal Authority as a condition of a subsidiary undertaking obtaining a licence to engage in opencast mining operations and fulfilling its obligations under this licence.
- The Group enters into contracts in the normal course of business where a performance bond or parent company guarantee is a condition of the contract.
- Should The Rangers Football Club plc qualify for the final group stages of the Champions League, additional consideration for the acquisition of shares of £125,000 for each applicable year will become payable up until 2009.
- Additional transfer fees payable of £600,000 would arise if certain conditions in transfer contracts are met.

*Financial commitments:*

(a) Operating leases

The Group is committed to the following minimum annual rentals under operating leases:

	Group 2005 £'000	Group 2004 £'000
Operating leases which expire:		
Property		
- within 1 year	905	293
- within 2-5 years	2,359	415
- after 5 years	2,555	428
	<b>5,819</b>	<b>1,136</b>
Other		
- within 1 year	171	70
- within 2-5 years	413	416
- after 5 years	33	71
	<b>617</b>	<b>557</b>
(b) Capital commitments		
Contracted but not provided for	<b>2,115</b>	<b>4,402</b>

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

### 24. Contingent liabilities, guarantees and other financial commitments (continued)

#### (c) Pension commitments

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, being invested by insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the estimated average remaining working life of scheme members. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial valuation was at 1 October 2004. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in pensionable salaries. It was assumed that the investment returns would be 7.5% per annum and that pensionable salary increases would average 4.5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £9,769,000 and that the actuarial value of those assets, on a discounted income basis, represented 66% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This deficit will be eliminated over the average remaining service life of the current active members. The contributions of the Group and employees currently amount to 15% of earnings.

The Group also operates defined contribution schemes with regard to certain employees under which all benefits are restricted to the funds available. The assets of the scheme are held independently of the Group by insurance companies. All contributions are charged to the profit and loss account in the month in which they are incurred. Contributions to defined contribution schemes in the year to 31 January 2005 were £1,693,000 (2004 - £792,000).

The pension cost for the year in respect of all pension schemes operated by the Group is shown in note 6.

#### (d) Additional FRS 17 pension disclosures

Disclosures regarding the Group's defined benefit pension scheme are required under the transitional provisions of FRS 17 – 'Retirement Benefits' and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary for full implementation of the FRS in the year ended 31 January 2005.

The actuarial valuation described above has been updated at 31 January 2005 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

Assumptions	As at 31 Jan 2005 %	As at 31 Jan 2004 %	As at 31 Jan 2003 %
Rate of increase in salaries	4.0	4.0	4.0
Rate of increase in pensions in payment	2.5	2.5	2.5
Rate of revaluation of deferred pensions in excess of guaranteed minimum pension	2.5	2.5	2.5
Discount rate	5.2	5.5	5.4
Inflation assumption	2.5	2.5	2.5

The assets in the scheme and expected return were as follows:

	Long term rate of return expected at		Long term rate of return expected at		Long term rate of return expected at	
	31 Jan 2005 %	31 Jan 2005 £'000	31 Jan 2004 %	31 Jan 2004 £'000	31 Jan 2003 %	31 Jan 2003 £'000
Equities	7.50	8,315	7.50	7,080	7.50	4,758
Bonds	5.25	874	5.25	774	5.25	876
Other	4.50	597	4.50	264	4.50	330
Property	7.50	118	7.50	97	7.50	280
Total market value of assets		9,904		8,215		6,244
Present value of scheme's liabilities		(18,018)		(13,807)		(12,642)
Liability in scheme		(8,114)		(5,592)		(6,398)
Related deferred tax asset		2,434		1,678		1,919
Net pension liability		(5,680)		(3,914)		(4,479)

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

**24. Contingent liabilities, guarantees and other financial commitments (continued)**

(d) Additional FRS 17 pension disclosures (continued)

**Analysis of the amount that would have been charged to operating profit under FRS 17**

	<b>Year ending 31 Jan 2005 £'000</b>	Year ending 31 Jan 2004 £'000
Current service cost	<u>679</u>	<u>707</u>

**Analysis of the amount that would have been credited to net finance income under FRS 17**

	<b>Year ending 31 Jan 2005 £'000</b>	Year ending 31 Jan 2004 £'000
Expected return on pension scheme assets	616	461
Interest on pension scheme liabilities	(792)	(693)
	<u>(176)</u>	<u>(232)</u>

**Analysis on the actuarial loss that would have been recognised in the statement of total recognised gains and losses**

	<b>Year ending 31 Jan 2005 £'000</b>	Year ending 31 Jan 2004 £'000
Actual return less expected return on pension scheme assets	271	791
Experience gains and losses arising on the scheme liabilities	(264)	(233)
Changes in assumptions underlying the present value of the scheme liabilities	(2,334)	560
	<u>(2,327)</u>	<u>1,118</u>

**Movement in deficit during the year**

	<b>£'000</b>	£'000
Deficit in scheme at 31 Jan 2004	(5,592)	(6,398)
Movement in the year:		
Current service cost	(679)	(707)
Contributions	660	627
Other finance income	(176)	(232)
Actuarial (loss) / gain	(2,327)	1,118
Deficit in scheme at 31 Jan 2005	<u>(8,114)</u>	<u>(5,592)</u>

**The analysis of reserves that would have arisen if FRS 17 had been fully implemented is as follows:**

	<b>Year ending 31 Jan 2005 £'000</b>	Year ending 31 Jan 2004 £'000
Profit and loss reserves excluding pension liability	39,273	36,494
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(5,680)	(3,914)
Profit and loss reserves including pension liability	<u>33,593</u>	<u>32,580</u>

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005 (continued)

### 24. Contingent liabilities, guarantees and other financial commitments (continued)

(d) Additional FRS 17 pension disclosures (continued)

<b>History of experience gains and losses</b>	<b>Year ending 31 Jan 2005</b>	Year ending 31 Jan 2004	Year ending 31 Jan 2003
<b>Difference between the expected and actual return on scheme assets:</b>			
Amount (£'000)	271	791	(2,400)
Percentage of scheme assets	2.7%	9.6%	38.4%
<b>Experience gains and losses on scheme liabilities:</b>			
Amount (£'000)	(264)	(233)	75
Percentage of the present value of scheme liabilities	1.5%	1.7%	0.6%
<b>Total actuarial gain recognised in the statement of total recognised gains and losses:</b>			
Amount (£'000)	(2,327)	1,118	(3,083)
Percentage of the present value of scheme liabilities	12.9%	8.1%	24.4%

### 25. Subsequent events

Subsequent to the year end, the Group entered into the following transactions:

- (a) the disposal of development properties for a total cash consideration of £15,140,000;
- (b) the disposal of investment properties for a total cash consideration of £60,611,000;
- (c) the acquisition of development properties for a total cash consideration of £12,775,000; and
- (d) the acquisition of investment properties for a total cash consideration of £7,281,000.

Included within the disposal of investment properties is the sale of a multi-let office building in London for a total cash consideration of £50,150,000. The related term loan of £34,850,000, as detailed in Note 16(a), was repaid in full from the proceeds of the sale.

### 26. Related party transactions

In accordance with the exemptions provided under FRS 8 the Group has not disclosed transactions which eliminate on consolidation.

Sales of £3,228,000 (2004 - £4,489,000) were made to Murray Sports Limited and subsidiaries, related parties by virtue of common control, prior to consolidation by Group on 9 December 2004. Purchases of £208,000 (2004 - £296,000) were made from Murray Sports Limited and subsidiaries. All transactions with related parties were conducted on an arms length basis.

During the year the Group traded with Bretton Street Developments Limited, Premier Burrell Limited and PPG (Lothian) Limited as joint venture undertakings of the Group. The main transactions during the year were as follows:

- (a) The Group made loans to joint ventures of £126,000 (2004 - £4,000,000). The balance due from joint ventures at 31 January 2005 is £4,123,000 (2004 - £4,020,000);
- (b) The Group received loans from joint ventures of £2,500,000 (2004 - £nil). The balance due to joint ventures at 31 January 2005 is £2,500,000 (2004 - £nil);
- (c) The Group paid and received interest at commercial rates on loans to and from joint ventures. Interest receivable was £316,000 (2004 - £69,000) and interest payable was £99,000 (2004 - £nil). At 31 January 2005 interest due from joint ventures was £124,000 (2004 - £20,000) and interest due to joint ventures was £99,000 (2004-£nil); and
- (d) The Group charged fees to joint ventures of £231,000 (2004 - £68,000) with a balance due at 31 January 2005 of £188,000 (2004 - £68,000).

### 27. Controlling party

Mr D.E. Murray and members of his close family control the Company as a result of controlling directly or indirectly 82% of the issued share capital of the Company.

MURRAY

