

MURRAY

MURRAY
INTERNATIONAL
HOLDINGS
LIMITED

REPORT AND ACCOUNTS 2006

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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 3 November 2006 at 11.00am to transact the following business:-

- 1 To receive and consider the Company's financial statements for the year ended 31 January 2006 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, 9 October 2006
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. D.D.Murray, B.A. M.S. McGill, LL.B., C.A. K.A.Cockburn 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
INDEPENDENT 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 LLP, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN

CHAIRMAN'S STATEMENT



It gives me great pleasure to report on a year of exceptional financial performance and significant development for the Group. Turnover in the year under review was £538m, reflecting growth of over 40% on £378m in the prior year. This substantial growth in

activity has been successfully converted into operating profit* which increased 23% from £37.3m to £45.9m. These results represent the seventh consecutive year of growth in turnover and operating profit*, which is a significant achievement, together with the creation of further shareholder value.

Divisional trading results continued to be strong with excellent contributions from Metals, Property and Private Equity. The Metals business capitalised on strong market prices in specialised sectors including oil and gas, complex alloys and aerospace. As a result, a number of businesses delivered record profits. Conversely general steel prices in construction and related areas softened in comparison to the prior year. Despite this, our proactive management enabled us to deliver a solid performance.

The strength of the oil and gas sector triggered an unsolicited approach and subsequent sale of Murray International Metals (MIM) for a total consideration of £118.5m during the year. The transaction represented an excellent return for the Group, generating a gain on disposal of £43.0m. These funds provide a platform for the further investment and development of the Group. Following disposal, the Group's long association with the metals industry has continued under the Murray Metals banner. Our retained international metal trading businesses have more than 750 employees generating turnover approaching £250m per annum. Activities range from a diverse spread of operations including general steel and non-ferrous metals incorporating the aerospace, oil and gas industries, steel processing and profiling, together with the trading of alloy material.

Graeme Hill, formerly Managing Director of Austin Trumanns, our general steel stockholding and trading

subsidiary, has been appointed Chief Executive of Murray Metals. This is a significant appointment and I am optimistic about the prospects and outlook for Murray Metals with undoubted growth opportunities currently arising in the individual markets of each business.

In our Property Division, PPG, a combination of deliberate geographic and sector diversity together with changing market conditions have produced a partial shift in the balance of activity from investment back towards development. PPG has taken advantage of the strong investment market, with transactions during the year including the disposal of offices in London and Leeds generating proceeds of £50.1m and £24.7m respectively and significant levels of profit.

Development activity, however, has continued apace including a £13m facelift to Princes Mall in Edinburgh, the construction of extensive distribution units alongside the M62 and completion of a further phase of 500,000 sq.ft. of speculative warehousing near Halifax. Further south, work began during the year on a £23m mixed office, research and development scheme near Gatwick, of which 80,000 sq.ft. was pre-let to the pharmaceutical giant, Roche.

The development pipeline remains equally strong with developments planned or underway in Edinburgh, Glasgow, London (City and West End), Yorkshire, Lancashire, Milton Keynes, Kent and Southampton. Current and future projects total £400m and will offer an aggregate of 2.5m sq.ft. of space. These developments, coupled with our transactional activity in the investment arena, demonstrate our emergence as a truly national player.

Charlotte Capital's investments have continued to produce profitable growth, particularly in Response Handling Limited and Alexander Dennis Limited. From a standing start, Response Handling has grown into a business with almost £50m sales and corresponding profit generation. The market in which it operates is constantly changing and in order to maintain our competitive advantage we have enhanced management with the introduction of David Wallace as Chief Executive. I am firmly of the view that there is significant potential for profitable growth in the

* operating profit after gains on sale of fixed assets and investments of £12.7m (2005: £13.2m) and before exceptional costs of £23.2m (2005: £nil)

provision of outsourced services in the UK. We have therefore made a strategic decision to treat this as a separate division within the Group.

In addition to portfolio management, Charlotte Capital has focused on developing strategy and relationships to identify and capitalise on future investment possibilities. This effort is reflected in the significant pipeline of investment opportunities.

Rangers Football Club has had mixed fortunes during the year. On the European stage, the Club's progress to the last sixteen of the UEFA Champions League is a momentous achievement. Unfortunately, our domestic form did not match our European progress. The post year-end £48m licensing deal with JJB and the introduction of Paul Le Guen as manager provide an exciting platform for the Club. However, it is essential that we continue to ensure Rangers is operated in a fiscally responsible manner. This is all the more important given the absence of Champions League football in the 2006/07 season. The emergence and performance of home grown talent during last year reflects historic investment and confirms my belief that football success and financial prudence can both be achieved.

In accordance with UK accounting standards, we have performed a review of the carrying value of Rangers in the Group's accounts. As a result of this review, we have prudently taken an impairment provision of £23.2m against the goodwill which arose on acquisition.

Our mining operations are now focused on restoration with coal extraction having been completed. After restoration is finalised we will be able to develop the sites and realise value. Subsequent to the year-end, we also completed the disposal of Eden Waste, our waste

management business for proceeds of almost £4m. Despite innovation and investment, we were unable to achieve sufficient volume of waste for recycling.

Our strong relationship with Bank of Scotland as a funder and partner underpins our activities and continues to work well for all parties. Our development of the Group has largely been funded through our agreed facilities with Bank of Scotland. The reduction in our borrowings reflects the transactional activity during the year, including the disposal of MIM and net disposal of properties. At the year-end, our ratio of debt to total assets was 63% compared to 67% the previous year.

On a personal note, the disposal of MIM represents a significant event in the Group's history and the start of a new chapter for Murray International Holdings. MIM was a key platform for the development of the Group during the last thirty years. The initial approach to purchase MIM has proved to be the catalyst for a strategic review of all aspects of the Group's business activities. This continues to be an evolving process.

Coupled with the changes made in executive management over the last two years, the strategic reviews emphasise our continuing desire for success. We have a young and experienced management team which shares the Board's ambition for the Group. Collectively, we are committed to further develop our existing businesses through a combination of organic growth, investment and acquisition.

In summary, the Group is well placed to capitalise on the significant number and wide variety of opportunities available. I am confident that our aspirations will be realised through the commitment and skill of our employees and others connected with the Group. Their contribution is much appreciated and I am extremely grateful for their substantial efforts.

David E. Murray

9 October 2006

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JANUARY 2006

The directors have pleasure in submitting their report on the affairs of the Group, together with the financial statements and independent auditors' report for the year ended 31 January 2006.

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 declared by the Company is set out in note 8.

In the current year the Group has adopted FRS 17 "Retirement Benefits" and FRS 25 "Financial Instruments: Disclosure and Presentation". This has resulted in a restatement of the results and balance sheet for the year to 31 January 2005 and the effect of this has been a reduction in the Group profit for that financial year by £0.14m and a reduction to Group net assets of £20.7m, see note 28.

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 2006	31 January 2005
D.E. Murray	9,880,190	9,880,190
J.D.G. Wilson	135,242	63,543
I.B. Tudhope	135,242	63,543
D.D. Murray	1,064,170	1,064,170
M.S. McGill	Nil	Nil
K.A. Cockburn	Nil	Nil
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.

SUBSTANTIAL SHAREHOLDINGS

At 31 January 2006 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 £0.18m (2005 - £0.21m) to local charitable organisations.

SHARE OPTIONS

J.D.G Wilson and I.B. Tudhope held share options as part of a long-term incentive plan. Both had the option to purchase 71,699 ordinary shares in the Company at a price of £6.40 per share. The options were exercisable between 8 May 2003 and 8 May 2011. All of the options were exercised on 30 January 2006.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the financial statements for the Company and the Group in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for systems of internal control, 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 2006 are referred to in note 25.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks. The Group has a risk management programme that seeks to limit the adverse effects on its financial performance by monitoring the following areas of risk:

FOREIGN CURRENCY RISK

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is party to a number of forward contracts and non-speculative hedging instruments in the management of its exchange rate exposures. The fair value of derivative financial instruments is shown in note 24(e).

CREDIT RISK

The Group is exposed to credit related losses in the event of the non-performance by counterparties, but mitigates such risk through its policy of selecting only counterparties with high credit ratings and ensuring credit insurance is obtained where required.

LIQUIDITY RISK

Operations are financed by a mixture of shareholders' funds and bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group.

CASH FLOW RISK

The Group's policy is to arrange core debt, bank loans and overdrafts with a floating rate of interest plus an agreed margin. The Group uses interest rate swaps, caps and collars together with non-speculative hedging instruments to manage its exposure to interest rate movements on its bank borrowings.

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

9 October 2006

INDEPENDENT AUDITORS' REPORT

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

We have audited the Group and individual Company financial statements (the "financial statements") of Murray International Holdings Limited for the year ended 31 January 2006 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profit and losses, the consolidated and individual Company balance sheets, the consolidated cash flow statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 other transactions 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 financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual Company's affairs as at 31 January 2006 and of the Group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh
United Kingdom

9 October 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2006

	NOTE	2006 £'000	2006 £'000	2005 £'000	2005 £'000
				Restated (note 28)	Restated (note 28)
TURNOVER: GROUP & SHARE OF JOINT VENTURES					
Continuing operations			390,285		231,171
Discontinued operations			153,164		146,692
			543,449		377,863
Less: share of joint ventures' turnover			(5,089)		(141)
GROUP TURNOVER	2		538,360		377,722
Cost of sales	3(a)		(373,415)		(284,433)
GROSS PROFIT			164,945		93,289
Other operating expenses	3(b)		(131,762)		(69,141)
Impairment of goodwill	10		(23,200)		-
Total operating expenses			(154,962)		(69,141)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		33,183		24,148	
Impairment of goodwill			(23,200)		-
OPERATING PROFIT AFTER EXCEPTIONAL ITEMS		9,983		24,148	
OPERATING PROFIT					
Continuing operations			15,405		5,044
Impairment of goodwill			(23,200)		-
Total continuing operations			(7,795)		5,044
Discontinued operations			17,778		19,104
			9,983		24,148
Gain on the sale of fixed assets & investments			12,690		13,167
OPERATING PROFIT AFTER GAINS ON SALE OF FIXED ASSETS & INVESTMENTS			22,673		37,315
Gain on disposal of subsidiary undertakings	11(a)		42,960		-
Gain on acquisition of minority interest	21		15,000		-
Provision for loss on termination of operation	17		(1,326)		-
Share of joint ventures operating profit/(loss)			519		(224)
PROFIT ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME AND INTEREST			79,826		37,091
Investment income	5(a)		575		45
Net interest payable and similar charges	5(b)		(29,278)		(17,972)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			51,123		19,164
Tax on profit on ordinary activities	7		(3,649)		(5,330)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX			47,474		13,834
Minority interests	21		(11,139)		(792)
PROFIT FOR THE FINANCIAL YEAR			36,335		13,042
Dividends	8		(13,929)		(5,115)
RETAINED PROFIT TRANSFERRED TO RESERVES	19		22,406		7,927

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 2006

	NOTE	2006 £'000	2005 £'000 Restated (note 28)
Profit for the financial year		36,335	13,042
Currency translation adjustments		1,178	(366)
Actuarial loss on defined benefit pension scheme		(3,591)	(2,327)
Deferred tax associated with defined benefit contribution		(948)	698
Unrealised surplus on revaluation of investment property	19	2,118	531
Total recognised gains and losses		35,092	11,578
Prior year adjustment		(5,680)	
Total gains and losses recognised since last annual report and financial statements		29,412	

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2006

	NOTE	2006 £'000	2005 £'000 Restated (note 28)
Reported profit on ordinary activities before taxation		51,123	19,164
Realisation of property revaluation gains of prior year	19	500	-
Historical cost profit on ordinary activities before taxation		51,623	19,164
Historical cost profit for the year retained after taxation, minority interests and dividends		22,906	7,927

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

A N N U A L R E P O R T A N D A C C O U N T S 2 0 0 6

BALANCE SHEETS
AS AT 31 JANUARY 2006

	NOTE	Group		Company	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
FIXED ASSETS			Restated (note 28)		Restated (note 28)
Tangible assets	9	485,886	541,255	-	-
Intangible assets	10	73,188	102,404	-	-
Investments	11	13,035	9,268	1,485	1,485
Investments in joint ventures:					
- Loans	11	506	506	-	-
- Goodwill	11	312	480	-	-
- Share of gross assets	11	16,050	13,541	-	-
- Share of gross liabilities	11	(13,683)	(11,490)	-	-
		575,294	655,964	1,485	1,485
CURRENT ASSETS					
Stocks	12	69,205	94,830	-	-
Debtors: Amounts falling due within one year	13	96,420	129,224	169	1,206
Debtors: Amounts falling due after more than one year	13	4,293	1,026	-	-
Investments	14	40	40	-	-
Cash at bank and in hand		1,373	4,370	52,620	20,784
		171,331	229,490	52,789	21,990
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(182,573)	(185,494)	(14,842)	(6,038)
NET CURRENT (LIABILITIES)/ASSETS		(11,242)	43,996	37,947	15,952
TOTAL ASSETS LESS CURRENT LIABILITIES		564,052	699,960	39,432	17,437
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(409,436)	(559,048)	(15,000)	(15,000)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(4,690)	(3,591)	-	-
NET PENSION LIABILITY	24	(2,736)	(5,680)	-	-
NET ASSETS		147,190	131,641	24,432	2,437
CAPITAL AND RESERVES					
Called up share capital	18	1,478	1,464	1,478	1,464
Consolidation reserve	19	4,963	5,032	-	-
Revaluation reserve	19	4,169	2,551	-	-
Share premium account	19	20,771	19,868	903	-
Capital redemption reserve	19	15,022	15,022	22	22
Profit and loss account	19	55,263	33,593	22,029	951
Translation reserve	19	(271)	(2,209)	-	-
SHAREHOLDERS' FUNDS	20	101,395	75,321	24,432	2,437
MINORITY INTERESTS	21	45,795	56,320	-	-
TOTAL CAPITAL EMPLOYED		147,190	131,641	24,432	2,437

Signed on behalf of the Board on 9 October 2006

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

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

CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 JANUARY 2006

	NOTE	2006 £'000	2005 £'000 Restated (note 28)
CASH FLOW STATEMENT			
Net cash inflow from operating activities		40,367	18,765
Dividends from joint ventures		360	-
Servicing of finance and returns on investments	22(a)	(30,426)	(17,360)
Taxation	22(b)	(5,925)	(2,499)
Capital expenditure and financial investment	22(c)	47,278	(210,596)
Acquisitions and disposals	22(d)	75,061	(58,975)
Dividends paid	22(e)	(5,115)	(4,216)
Cash inflow/(outflow) before management of liquid resources and financing		121,601	(274,900)
Management of liquid resources	22(f)	-	6,453
Financing	22(g)	(51,476)	172,109
Increase/(decrease) in cash during the year		70,125	(96,338)
RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS			
Operating profit		9,983	24,148
Depreciation charges		13,382	12,629
Amortisation of intangible assets		5,341	3,210
Gain on the sale of fixed asset development properties		-	(7,095)
Write off of fixed assets and investments		24,110	754
Exchange gains		(190)	(339)
Gain on the sale of current asset investments		-	(517)
Elimination of unrealised profit		(206)	(72)
(Gain)/loss on sale of tangible assets		-	163
FRS 17 adjustment to pension contributions		80	19
Increase in stocks		(1,082)	(24,720)
Increase in debtors		(14,284)	(23,340)
(Decrease)/increase in creditors		(598)	28,464
Increase in land restoration provision		-	3,000
Amortisation of player registrations		4,060	2,461
Amortisation of joint venture goodwill		168	-
Amortisation of government grants		(397)	-
Net cash inflow from operating activities		40,367	18,765
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 23)			
Increase/(decrease) in cash in the year		70,125	(96,338)
Cash inflow/(outflow) from debt and lease financing		52,392	(171,254)
Change in net debt resulting from cash flows		122,517	(267,592)
New finance leases		(778)	(1,026)
Other non-cash movements		-	339
Decrease in current asset investments		-	(14,661)
Debt disposed of(acquired with) sale/purchase of subsidiary undertaking		1,271	(52,059)
Movement in net debt in the year		123,010	(341,274)
Net debt at beginning of year		(591,341)	(250,067)
Net debt at end of year		(468,331)	(591,341)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006

1. Accounting policies

The Group's principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year, with the exception of the full adoption of FRS17 'Retirement Benefits' and the initial adoption of FRS 25 'Financial Instruments: Disclosure and Presentation'. This has resulted in a restatement of the results and balance sheet for the year to 31 January 2005 and the effect has been a reduction in the Group profit for that financial year of £0.14m, as set out in note 28.

(a) Basis of accounting: The financial statements 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 financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 January 2006. The Group also consolidates the financial statements of companies over which it exerts dominant influence, as defined in FRS 2 'Accounting for Subsidiary Undertakings'. 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, subject to a maximum of 20 years. Provision is made for any impairment. Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired. 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 financial statements 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 'Acquisitions and Mergers' this was treated as a group reorganisation and the merger accounting provisions applied.

In the Company's financial statements, 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 £21.08m (2005 - profit of £1.72m).

(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 of interest will start 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 where 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 the specific date of disposal or realisation strategy for each property. The proceeds and costs on disposal of such properties are reflected in turnover and cost of sales respectively. Where there is a fundamental change in the nature of an investment property such as commencement of development activity with a view to short or medium term disposal, it will be classified within tangible fixed assets, or transferred to stocks in line with the above criteria.

In accordance with SSAP 19 'Accounting for Investment Properties', 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. In particular, the Ibrox Stadium and football training facilities, which were acquired in the prior year, 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 and are treated as specialised properties within the meaning of FRS 15 'Tangible Fixed Assets'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

1. Accounting policies (continued)

(d) Tangible fixed assets (continued):

Other fixed assets are shown at cost, net of depreciation and provision 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 buildings	10-75 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 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 also amortised on a straight line basis over an appropriate period not greater than 20 years.

The costs associated with the acquisition and retention of football personnel are capitalised as intangible fixed 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) Joint ventures: In the consolidated financial statements investments in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of joint ventures' net profits while the Group's share of the net assets of the joint ventures is shown in the consolidated balance sheet. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above in (b). Any amortised balance of goodwill is included in the carrying value of the investments in joint ventures.

(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) 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.

(i) 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 variations between the Group's taxable profit and its results as stated in the financial statements 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 financial statements. The amount of all deferred tax, including that which will probably not reverse, is set out in note 17.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

1. Accounting policies (continued)

(i) 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 financial statements. 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.

(j) Foreign currencies: In the financial statements 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.

(k) 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.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on assets are shown as a net amount in other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The Group adopted the full provisions of FRS 17 'Retirement Benefits' in the current year.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis, using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown within either accruals or prepayments in the balance sheet.

Further information on pension costs is provided in note 24(c).

(l) Grants: Capital grants from the Football Trust, Football Foundation, Sports Scotland, the Rangers F.C. Development Fund Limited and government bodies 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.

(m) 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.

(n) 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 more than 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).

(o) 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

1. Accounting policies (continued)

(p) 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:

	2006	2006	2006	2005
	Continuing	Discontinued	Total	Total
	£'000	£'000	£'000	£'000
By activity:				
Metals	218,065	149,890	367,955	254,436
Property	43,852	-	43,852	52,108
Corporate finance and private equity	48,366	-	48,366	44,825
Mining	12,232	3,274	15,506	17,018
Football	62,681	-	62,681	9,335
	<u>385,196</u>	<u>153,164</u>	<u>538,360</u>	<u>377,722</u>
By geographical destination:				
United Kingdom			386,571	300,014
Outwith the United Kingdom			151,789	77,708
			<u>538,360</u>	<u>377,722</u>
By geographical origin:				
United Kingdom			422,868	276,812
Outwith the United Kingdom			115,492	100,910
			<u>538,360</u>	<u>377,722</u>

Segmental information on profit or 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:

	2006	2006	2006	2005
	Continuing	Discontinued	Total	Total
	£'000	£'000	£'000	£'000
(a) Cost of sales	<u>248,683</u>	<u>124,732</u>	<u>373,415</u>	<u>284,433</u>
(b) Other operating expenses				Restated (note 28)
Distribution expenses	13,312	5,550	18,862	16,613
Administrative expenses	<u>107,796</u>	<u>5,104</u>	<u>112,900</u>	<u>52,528</u>
	<u>121,108</u>	<u>10,654</u>	<u>131,762</u>	<u>69,141</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

3. Operating profit (continued)

	2006	2005
	£'000	£'000
(c) Miscellaneous		
Depreciation		
- owned assets	10,476	9,985
- held under finance leases and hire purchase contracts	2,906	2,644
Amortisation of goodwill and other intangible fixed assets	4,597	2,412
Impairment of goodwill	23,200	-
Impairment of fixed assets	860	-
Amortisation of other intangible fixed assets	744	798
Amortisation of player registrations	4,060	2,461
Amortisation of goodwill on joint venture investments	168	-
Operating lease rentals		
- property	5,073	1,718
- other	2,361	1,380
Auditors' remuneration		
- audit services	407	270
- non-audit services	91	41
Loss on sale of tangible fixed assets	-	163
Exchange gains	(190)	-
Increase in restoration provision (see note 17)	-	3,000
	<u> </u>	<u> </u>

4. Gain on sale of fixed assets and investments

	2006	2005
	£'000	£'000
Gain on sale of tangible fixed assets	1,476	-
Gain on sale of player registrations	-	6,115
Gain on disposal of investment properties	11,214	4,413
Gain on sale of investments	-	2,639
	<u>12,690</u>	<u>13,167</u>

The Group recognised gains on the disposal of investment properties of £11.21m (2005 - £4.41m) during the year. The sale of one of the properties, Cloth Hall Court, was effected by the disposal of the Group's shareholding in PPG Metro CHC Limited which acquired the property earlier in the year. As the substance of the transaction was that of the sale of fixed assets, the Group's short term holding of the share capital of PPG Metro CHC Limited has not been treated as an investment during the year.

5. Investment income and net interest payable

	2006	2005
	£'000	£'000
		Restated (note 28)
(a) Investment income		
Income from fixed asset investments	<u>575</u>	<u>45</u>
(b) Net interest payable and similar charges		
Bank loans and overdrafts	33,569	17,796
Less: bank interest receivable	(5,057)	(975)
Net bank interest payable	28,512	16,821
Finance leases and hire purchase contracts	522	387
Dividends on cumulative redeemable preference shares	769	769
Net return on pension scheme	155	176
Other loans	1,216	237
	<u>31,174</u>	<u>18,390</u>
Less: interest capitalised on development properties and included within stock	(1,896)	(418)
	<u>29,278</u>	<u>17,972</u>

Interest capitalised is based on normal commercial rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

6. Staff costs	2006	2005
	£'000	£'000
Employee costs during the year amounted to:		Restated (note 28)
Wages and salaries	72,980	46,271
Social security costs	6,950	4,213
Pension costs	2,631	2,372
Contributions to remuneration trust	9,663	3,892
	92,224	56,748

The 'Murray Group Management Limited Remuneration Trust', was established as an independently administered trust, to provide incentives to certain employees. The assets and liabilities of the Trust are held separately from the Group. 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:	2006	2005
	Number	Number
Production and sales	3,322	3,039
Administration	576	295
	3,898	3,334

Directors' remuneration during the year amounted to:	2006	2005
	£'000	£'000
Fees	114	103
Emoluments	3,741	1,549
Contributions to money purchase pension schemes	1,137	1,330
	4,992	2,982

The directors' remuneration shown above included the following in respect of the highest paid director:	2006	2005
	£'000	£'000
Emoluments	1,857	715
Contributions to money purchase pension schemes	240	990
	2,097	1,705

The number of directors who were members of the Group's pension schemes was as follows:	2006	2005
	Number	Number
Money purchase schemes	6	5

7. Tax on profit on ordinary activities	2006	2005
	£'000	£'000
Current tax:		Restated (note 28)
UK corporation tax	1,748	2,811
Overseas tax	2,318	1,624
	4,066	4,435
Adjustments in respect of prior years - UK corporation tax	(180)	355
Total current tax charge	3,886	4,790
Deferred tax:		
Origination and reversal of timing differences	(707)	322
Decrease in estimate of recoverable deferred tax asset	126	327
Total deferred tax (credit)/charge (note 17)	(581)	649
Share of joint ventures' tax charge/(credit)	29	(51)
FRS 17 tax charge/(credit)	315	(58)
Total tax on profit on ordinary activities	3,649	5,330

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (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:

	2006	2005
	£'000	£'000
		Restated (note 28)
Profit on ordinary activities before tax	51,123	19,164
(Less)/add back share of joint ventures' (profit)/ loss before tax	(490)	224
Group profit on ordinary activities before tax	50,633	19,338
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2005 - 30%)	15,190	5,816
Effects of:		
Expenses not deductible for tax purposes	10,166	4,021
Depreciation in excess of capital allowances	655	(232)
(Utilisation of tax losses)/tax losses arising	(893)	647
Capital gains	1,029	1,125
Adjustments for long accounting periods/acquisitions	(6)	1,442
Adjustments to tax (charge)/credit in respect of previous periods	(180)	355
Adjustments for overseas tax	(452)	(376)
Dividends from UK companies	(7)	(14)
Short term timing differences	(149)	885
Non taxable income and gains	(21,152)	(8,933)
FRS 17 adjustment	(315)	58
Corporate venturing scheme relief	-	(4)
Group current tax charge for year	3,886	4,790

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%.

In the current year the effective tax rate is lower than the standard UK corporate tax rate of 30% as a result of the non-taxable gains arising on the disposal of a significant trading subsidiary group, see note 11(a).

8. Dividends

	2006	2005
	£'000	£'000
Final dividend of 101.5p (2005 - 41.2p) per share	13,929	5,115

In the current year certain shareholders waived their entitlement to receive £1.07m of dividends (2005 - £0.92m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

9. Tangible fixed assets

The movement in the year was as follows:

Group	Land & buildings			Investment properties £'000	Plant, equipment & vehicles £'000	Total £'000
	Freehold £'000	Leasehold £'000	Development properties £'000			
Cost or valuation:						
At 31 January 2005	166,793	7,899	84,080	265,309	54,587	578,668
Additions	3,169	919	37,044	5,567	5,698	52,397
Revaluations	-	-	-	3,868	-	3,868
Transfer to stock	-	-	-	(3,713)	-	(3,713)
Disposals	(21,437)	(49)	-	(71,426)	(9,795)	(102,707)
Exchange adjustments	95	-	-	-	96	191
At 31 January 2006	148,620	8,769	121,124	199,605	50,586	528,704
Depreciation:						
At 31 January 2005	7,318	1,347	-	-	28,748	37,413
Charge for the year:						
- owned assets	3,702	557	-	-	6,217	10,476
- HP/leased assets	-	62	-	-	2,844	2,906
Provision for impairment	152	638	-	-	70	860
Disposals	(1,509)	(49)	-	-	(7,326)	(8,884)
Exchange adjustments	5	-	-	-	42	47
At 31 January 2006	9,668	2,555	-	-	30,595	42,818
Net book value at 31 January 2006	138,952	6,214	121,124	199,605	19,991	485,886
Net book value at 31 January 2005	159,475	6,552	84,080	265,309	25,839	541,255
Leased assets included in the above:						
Net book value at 31 January 2006	-	-	-	-	4,248	4,248
Net book value at 31 January 2005	-	-	-	-	6,912	6,912

Leasehold land and buildings are shown at cost. The net book value of leasehold interests includes £3.39m of long term leases.

Investment properties, the majority of which are freehold, were valued on an open market existing use basis, by the directors as at 31 January 2006. 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 £195.436m (2005 - £262.758m).

Cumulative interest capitalised included in the cost of the development properties, leasehold land and buildings amounts to £1.52m (2005 - £0.76m).

The Company has no tangible fixed assets (2005 - £nil).

The Ibrox Stadium and football training facilities, included within freehold land and buildings, acquired with the purchase of The Rangers Football Club plc are valued on a depreciated replacement cost basis. The most recent valuation was performed as at 30 June 2006 by Messrs. D.M. Hall, Chartered Surveyors on a depreciated replacement cost basis. The directors consider that there should be no uplift in the value of these properties as a result of this valuation, therefore, the properties continue to be valued at £121.47m which is the value on acquisition. The value at acquisition was determined by Messrs D.M. Hall as at 30 June 2003.

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

	2006		2005	
	Land & buildings £'000	Plant equipment & vehicles £'000	Land & buildings £'000	Plant equipment & vehicles £'000
Professionally valued	199,605	-	265,309	-
At cost	278,513	50,586	258,772	54,587
Cost or valuation at 31 January	478,118	50,586	524,081	54,587

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

10. Intangible fixed assets

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

	Group 2006 £'000	Group 2005 £'000
Goodwill	65,222	93,019
Player registrations	7,662	8,445
Other intangible fixed assets	304	940
	<u>73,188</u>	<u>102,404</u>

The movement in the year was as follows:

	Goodwill £'000	Player registrations £'000	Other intangible fixed assets £'000	Total £'000
Cost:				
At 31 January 2005	98,470	10,906	3,182	112,558
Additions	-	3,352	108	3,460
Disposals	-	(2,118)	-	(2,118)
At 31 January 2006	<u>98,470</u>	<u>12,140</u>	<u>3,290</u>	<u>113,900</u>
Amortisation:				
At 31 January 2005	5,451	2,461	2,242	10,154
Charge for the year	4,597	4,060	744	9,401
Impairment	23,200	-	-	23,200
Disposals	-	(2,043)	-	(2,043)
At 31 January 2006	<u>33,248</u>	<u>4,478</u>	<u>2,986</u>	<u>40,712</u>
Net book value at 31 January 2006	<u>65,222</u>	<u>7,662</u>	<u>304</u>	<u>73,188</u>
Net book value at 31 January 2005	<u>93,019</u>	<u>8,445</u>	<u>940</u>	<u>102,404</u>

Other intangible fixed assets represent mineral rights, site development costs and trademarks.

The Company has no intangible fixed assets (2005 - £nil).

In the current year the goodwill created on the acquisition of The Rangers Football Club plc in the year end 31 January 2005 was impaired by £23.20m. The impairment of the goodwill was determined in accordance with FRS 11 'Impairment of fixed assets and goodwill' to ensure that the goodwill was stated at no more than its recoverable amount, being the higher of net realisable value and value in use. The impairment restates the goodwill to value in use and was determined using a discount rate of 6.5%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

11. Fixed asset investments

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Subsidiary undertakings	-	-	1,485	1,485
Joint ventures	3,185	3,037	-	-
Other investments	13,035	9,268	-	-
	16,220	12,305	1,485	1,485

The movement in the year was as follows:

	Group	Group	Company
	Joint ventures £'000	Other investments £'000	Subsidiary undertakings £'000
Cost:			
At 31 January 2005	3,037	10,022	1,485
Acquisitions (see note 11(a))	-	4,817	-
Dividends received	(360)	-	-
Amounts written back	206	-	-
Share of retained profit for the year	470	-	-
At 31 January 2006	3,353	14,839	1,485
Provision for impairment:			
Amounts written off at 31 January 2005	-	754	-
Amortisation of goodwill	168	-	-
Amounts written off	-	1,050	-
	168	1,804	
Net book value at 31 January 2006	3,185	13,035	1,485
Net book value at 31 January 2005	3,037	9,268	1,485

Subsidiary undertakings:

The principal trading subsidiary undertakings of the Company at 31 January 2006 were as follows:

	Country of incorporation	Principal activity	Percentage control by Group at 31 January 2006
Murray Group Management Limited	United Kingdom	Management services	100
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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

11. Fixed asset investments (continued)

Disposal of subsidiary undertakings:

- (a) On 16 December 2005 the Group disposed of its 90% shareholding in Murray International Metals Limited and subsidiaries. The operating profit up until the date of disposal was £20.15m (2005 - £22.25m) and the profit after tax was £15.02m (2005 - £15.64m).

The net assets disposed of and related proceeds are as follows:

	£'000
Consideration	112,000
Deferred consideration	6,465
Total consideration	118,465
Transaction costs	(810)
Net consideration	117,665
Consideration paid by pre-disposal dividend	(25,000)
	92,665
Net assets on completion	(46,717)
	45,938
Minority interest	(4,261)
	41,677
Add: pension curtailment gain (note 24(d))	1,283
Consolidated gain	42,960

The Group share of total consideration can be analysed as follows:

	£'000
Cash	73,800
Deferred cash	5,819
Pre-disposal dividend	22,500
Equity	4,500
	106,619

The equity consideration received is included in the additions of other investments in the current year. The Group received, as part of its share of consideration, a minority equity stake in the Edgen/Murray LP partnership, which is registered in the United States of America. The investment is represented by £3.60m preference shares and £0.90m ordinary shares. The principal activity of the partnership is holding investments.

The cashflow as a result of the disposal were:

	£'000
Cash consideration	73,800
Net overdraft disposed	1,261
	75,061

- (b) On 5 April 2006 the Group sold the trade and assets of Eden Waste Recycling Limited and its subsidiary. At 31 January 2006 the directors had resolved to dispose of any interests in the waste recycling market, therefore the results of Eden Waste Recycling Limited and its subsidiary have been treated as discontinued in the profit and loss account in the current year.

The operating loss for the year ended 31 January 2006 was £1.37m (2005 - £0.89m) and the loss after tax was £1.81m (2005 - £0.83m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

11. Fixed asset investments (continued)

Associated undertakings and joint ventures:

The joint ventures of the Group at 31 January 2006 were as follows:

	Percentage of ordinary shares held at 31 January 2006
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 £0.51m (2005 - £0.51m) and goodwill of £0.31m (2005 - £0.48m). Goodwill in respect of such project-specific joint ventures is amortised over a period not exceeding 20 years.

Other investments:

Included in other investments is a debenture with a par value of \$1.00m. The debenture matures on 30 June 2022 on which date it will be redeemed. The debentures bear a commercial rate of return.

12. Stocks

	Group 2006 £'000	Group 2005 £'000
Goods for resale	19,705	54,189
Raw materials	31,563	24,492
Development properties	17,318	15,460
Work in progress	619	689
	69,205	94,830

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 £0.48m (2005 - £0.23m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

13. Debtors	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts falling due within one year:				
Trade debtors	59,889	102,988	-	-
Amounts owed by subsidiary undertakings	-	-	-	1,000
Amounts owed by joint venture undertakings	5,111	4,123	-	-
UK corporation tax recoverable	3,030	2,009	-	-
VAT recoverable	3,215	1,116	-	-
Other debtors	14,414	12,732	169	206
Prepayments and accrued income	10,761	6,256	-	-
	96,420	129,224	169	1,206
Amounts falling due after more than one year:				
Other debtors	3,335	167	-	-
Trade debtors	-	189	-	-
Deferred tax asset (note 17)	958	670	-	-
	4,293	1,026	-	-
	100,713	130,250	169	1,206

Included within other debtors due after more than one year is £3.15m of deferred consideration relating to the sale of Murray International Metals Limited. This consideration is receivable no later than December 2007.

14. Current asset investments	Group 2006 £'000	Group 2005 £'000
Other current asset investments	40	40
	40	40

15. Creditors: Amounts falling due within one year	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank overdrafts (secured)	65,900	46,311	-	-
Bank loans (secured)	1,442	692	-	-
Trade creditors	52,948	73,836	-	-
Finance lease and hire purchase obligations	1,418	2,413	-	-
Loan notes	1,718	1,941	-	-
Amounts owed to subsidiary undertakings	-	-	144	154
Amounts owed to related parties	21	-	-	-
Corporation tax payable	176	4,135	-	-
Overseas tax payable	72	-	-	-
Other taxes and social security	3,988	5,424	-	-
VAT payable	820	1,888	-	-
Other creditors	2,610	1,990	-	-
Accruals and deferred income	36,424	40,607	-	-
Capital grants deferred	338	373	-	-
Dividends payable				
- ordinary shares	13,929	5,115	13,929	5,115
- cumulative redeemable preference shares	769	769	769	769
	182,573	185,494	14,842	6,038

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (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

	Group 2006 £'000	Group 2005 £'000 Restated (note 28)	Company 2006 £'000	Company 2005 £'000 Restated (note 28)
Bank loans and overdrafts	342,703	485,518	-	-
Trade creditors	251	2,522	-	-
Finance lease and hire purchase obligations	5,040	6,166	-	-
Cumulative redeemable preference shares	35,000	35,000	15,000	15,000
Loan notes	16,523	17,710	-	-
Amounts owed to joint ventures	-	2,500	-	-
Capital grants deferred	9,919	9,632	-	-
	409,436	559,048	15,000	15,000

Repayments on total borrowings are due as follows:

	Group 2006 £'000	Group 2005 £'000 Restated (note 28)
Bank loans and overdrafts:		
On demand or within 1 year	67,342	47,003
Between 1 and 2 years	91,537	184,733
Between 2 and 5 years	216,607	230,303
After 5 years	34,559	70,482
	410,045	532,521
Loan notes:		
On demand or within 1 year	1,718	1,941
Between 1 and 2 years	450	-
Between 2 and 5 years	16,000	17,710
After 5 years	73	-
	18,241	19,651
Cumulative redeemable preference shares:		
Between 2 and 5 years	20,000	20,000
After 5 years	15,000	15,000
	35,000	35,000
Finance leases and hire purchase obligations:		
On demand or within 1 year	1,418	2,413
Between 1 and 2 years	575	1,318
Between 2 and 5 years	594	907
After 5 years	3,871	3,941
	6,458	8,579
Total borrowings:		
On demand or within 1 year	70,478	51,357
Between 1 and 2 years	92,562	186,051
Between 2 and 5 years	253,201	268,920
After 5 years	53,503	89,423
	469,744	595,751

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

- (a) A term loan of £22.00m repayable over 22 years by instalments from 2007;
- (b) A term loan of £15.00m repayable by instalments by 30 September 2019; and
- (c) Cumulative redeemable preference shares which are redeemable on 31 January 2011 and have no voting rights.

All loans bear interest at commercial rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

17. Provisions for liabilities and charges

	Group 2006 £'000	Group 2005 £'000
Provisions comprise:		
Other provisions	4,690	3,591

Other provisions relate to land restoration for opencast mining and a provisions for closing mining operations. The provision is in respect of costs associated with restoring land disturbed during mining. The mining closure provision is in respect of operating losses up to the date of termination of the operation. It is expected that this expenditure will be incurred within approximately 2 years.

The movement on provisions during the year comprises:

	Deferred taxation		Other provisions	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Beginning of year	(670)	(1,443)	3,591	591
Charged to profit and loss account	(581)	649	1,326	3,000
Utilisation of provision	-	-	(227)	-
Disposal of subsidiary undertaking	293	124	-	-
	(958)	(670)	4,690	3,591

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.

There is an unrecognised deferred tax asset of £13.56m (2005 – £13.56m) which represents unrelieved tax losses. The directors do not consider it appropriate to recognise a deferred tax asset for such losses (see Note 1(i))

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.

	2006 £'000	2005 £'000
Deferred tax is provided as follows:		
Group		
Accelerated capital allowances	(372)	1,130
Other timing differences	413	(751)
Tax losses available	917	(1,049)
	(958)	(670)
Transferred to debtors (note 13)	958	670
Provision for deferred tax	-	-

18. Called up share capital

	2006 £'000	2005 £'000
Authorised:		
15,000,000 ordinary shares of 10p each	1,500	1,500
Issued and fully paid:		
14,778,237 (2005 - 14,634,839) ordinary shares of 10p each	1,478	1,464

During the current year the Company issued 143,398 ordinary shares as a result of two of the directors exercising their share options to purchase 71,699 ordinary shares each in the Company at a price of £6.40 per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

19. Reserves

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

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Distributable		Restated (note 28)		
Profit and loss account as previously stated	55,263	39,273	22,029	951
Prior period adjustment (note 28)	-	(5,680)	-	-
Translation reserve	(271)	(2,209)	-	-
	54,992	31,384	22,029	951
Non-distributable				
Consolidation reserve	4,963	5,032	-	-
Investment property revaluation reserve	4,169	2,551	-	-
Share premium account	20,771	19,868	903	-
Capital redemption reserve	15,022	15,022	22	22
	99,917	73,857	22,954	973

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

	Group Profit and loss account £'000	Group Translation reserve £'000	Company Profit and loss account £'000
At 31 January 2005 as previously stated	39,273	(2,209)	951
Prior year adjustment (note 28)	(5,680)	-	-
At 31 January 2005 restated	33,593	(2,209)	951
Profit for the financial year	22,406	-	21,078
Actuarial loss (net of deferred tax)	(4,539)	-	-
Realisation of revaluation gain on property disposal	500	-	-
Transfer from minority interest	3,243	-	-
Disposal of subsidiary undertakings	-	760	-
Exchange adjustments	60	1,178	-
At 31 January 2006	55,263	(271)	22,029

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

	Group Consolidation reserve £'000	Group Revaluation reserve £'000	Group/Company Share premium account £'000	Group Capital redemption reserve £'000	Company Capital redemption reserve £'000
At 31 January 2005	5,032	2,551	19,868	15,022	22
Surplus on property revaluations	-	3,868	-	-	-
Minority interest share of surplus on revaluation	-	(1,750)	-	-	-
Realisation of revaluation gain on property disposal	-	(500)	-	-	-
Issue of share capital	-	-	903	-	-
Disposal of subsidiary undertakings	(69)	-	-	-	-
At 31 January 2006	4,963	4,169	20,771	15,022	22

The cumulative amount of goodwill written off directly to Group reserves is £5.17m (2005 - £5.17m). The cumulative amount of negative goodwill added to Group reserves is £7.270m (2005 - £7.27m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

20. Reconciliation of movement in shareholders' funds

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Total recognised gains and losses relating to the year as previously stated	35,092	14,113	35,006	1,715
Prior period adjustment - FRS 17	-	(1,766)	-	-
Prior period adjustment - FRS 25	-	(769)	-	(769)
Total recognised gains and losses relating to the year restated	35,092	11,578	35,006	946
Dividends payable to shareholders	(13,929)	(5,115)	(13,929)	(5,115)
Issue of share capital	918	-	918	-
Transfer from minority interest	3,243	(5,286)	-	-
Exchange movements	59	1	-	-
Disposal of subsidiary undertaking	691	-	-	-
	26,074	1,178	21,995	(4,169)
Opening shareholders' funds as previously stated	96,001	93,057	2,437	21,606
Prior period adjustment - FRS 17	(5,680)	(3,914)	-	-
Prior period adjustment - FRS 25	(15,000)	(15,000)	-	(15,000)
Opening shareholders' funds restated	75,321	74,143	2,437	6,606
Closing shareholders' funds	101,395	75,321	24,432	2,437

21. Minority interests

	Minority interests £'000	Rangers Bond £'000	Total £'000
At 31 January 2005 as previously stated	67,808	8,512	76,320
Prior period adjustment - FRS 25	(20,000)	-	(20,000)
At 31 January 2005 restated	47,808	8,512	56,320
Share of profit on ordinary activities after tax	11,139	-	11,139
Dividends paid or payable	(1,571)	-	(1,571)
Minorities disposed	(6,908)	-	(6,908)
Minorities purchased	(15,000)	-	(15,000)
Minorities issued	7	-	7
Share of other reserve movements	1,808	-	1,808
At 31 January 2006	37,283	8,512	45,795

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.

During the year The Rangers Football Club plc acquired 15.00m £1 preference shares in its subsidiary company, Rangers Media Investments Limited from a third party for a cash consideration of £1. These preference shares were shown as a minority interest in the prior year. As the fair value of the liabilities acquired was £15.00m and the fair value of the consideration paid was £1, negative goodwill of £15.00m arose on the transaction. The negative goodwill arising has been credited immediately to the current year's profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

22. Analysis of cash flows

	Group 2006 £'000	Group 2005 £'000 Restated (note 28)
(a) Servicing of finance and returns on investments		
Interest received	1,371	795
Interest paid	(28,985)	(16,425)
Interest element of finance lease and hire purchase rentals	(522)	(387)
Dividends received	50	45
Preference dividend paid	(769)	(883)
Dividends paid to minority interests	(1,571)	(505)
Net cash outflow	<u>(30,426)</u>	<u>(17,360)</u>
(b) Taxation		
UK corporation tax paid	(4,979)	(785)
Overseas tax paid	(946)	(1,714)
Net cash outflow	<u>(5,925)</u>	<u>(2,499)</u>
(c) Capital expenditure and financial investment		
Purchase of intangible fixed assets	(3,460)	(7,805)
Purchase of tangible fixed assets	(51,619)	(260,419)
Purchase of investments	(317)	(8,043)
Sale of tangible fixed assets	102,599	56,769
Sale of intangible fixed assets	75	8,902
Net cash inflow/(outflow)	<u>47,278</u>	<u>(210,596)</u>
(d) Acquisitions and disposals		
Sale/(purchase) of subsidiary undertaking	<u>75,061</u>	<u>(58,975)</u>
(e) Dividends paid	<u>(5,115)</u>	<u>(4,216)</u>
(f) Management of liquid resources		
Sale of current asset investments	<u>-</u>	<u>6,453</u>
(g) Financing		
Issue of shares in subsidiary undertakings to minority interest	-	855
Issue of ordinary shares	917	-
Repayment of borrowings	(49,394)	(651)
Capital element of finance lease and hire purchase rental payments	(2,889)	(2,939)
New bank borrowings	1,300	175,337
Loan notes repaid	(1,410)	(493)
Net cash (outflow)/inflow	<u>(51,476)</u>	<u>172,109</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

23. Analysis of changes in net debt

	Start of year £'000 Restated (note 28)	Cash flow £'000	Acquisitions and disposals £'000	Other non-cash changes £'000	End of year £'000
Cash at bank and in hand	4,370	(2,535)	(462)	-	1,373
Bank overdrafts	(230,283)	72,660	1,723	-	(155,900)
	(225,913)	70,125	1,261	-	(154,527)
Debt due after more than 1 year	(354,256)	50,030	-	-	(304,226)
Debt due within 1 year	(2,633)	(527)	-	-	(3,160)
Finance leases	(8,579)	2,889	10	(778)	(6,458)
Current asset investments	40	-	-	-	40
Net debt	(591,341)	122,517	1,271	(778)	(468,331)

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 £778,000 (2005 - £1,026,000).

Included in bank overdrafts are amounts due after one year of £nil (2005 - £93,972,000) and a revolving credit facility due in more than one year of £90,000,000 (2005 - £90,000,000).

24. Contingent liabilities, guarantees and other financial commitments

Contingent liabilities and guarantees:

- (i) The Company has guaranteed bank borrowings of subsidiary and associated undertakings which at 31 January 2006 amounted to £208.63m (2005 - £255.34m).
- (ii) The Group has made counter indemnities in favour of its bankers, Bank of Scotland, up to a sum of £3.99m (2005 - £3.99m) 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.
- (iii) 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.
- (iv) Should The Rangers Football Club plc qualify for the final group stages of the Champions League, additional consideration for the acquisition of shares of £0.13m for each applicable year will become payable up until 2009.
- (v) Additional transfer fees payable of £0.5m (2005 - £0.6m) would arise if certain conditions in transfer contracts are met.
- (vi) During the year, the Group received a claim relating to the sale of VIDA Sports Limited in November 2003. The purchasers of VIDA Sports Limited have made a claim for breach of warranty. Based on advice from the Group's lawyers, the board of directors consider that there is no substance to this claim and accordingly, no provision has been made. The claim represents a contingent liability at the year end, which in the opinion of the directors it is not possible to quantify.

Financial commitments:

(a) Operating leases

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

	Group 2006 £'000	Group 2005 £'000
Operating leases which expire:		
Property		
- within 1 year	502	905
- within 2-5 years	1,167	2,359
- after 5 years	3,630	2,555
	5,299	5,819
Other		
- within 1 year	373	171
- within 2-5 years	1,837	413
- after 5 years	49	33
	2,259	617
(b) Capital commitments		
Contracted but not provided for	7,390	2,115

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (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 £9.77m 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 2006 were £1.95m (2005 - £1.69m). As a result of the sale of Murray International Metals Limited, the Group made a one-off contribution of £6.96m to the defined benefit pension scheme. Of this total amount £6.75m was paid prior to 31 January 2006.

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

The Group has adopted FRS 17 in the current year and the pension cost figures used in these financial statements comply with FRS 17. The comparative figures for 2005 have been restated as if FRS 17 had applied for that financial year. See note 28 for the effect of the adoption on the prior year profit and loss account and balance sheet.

Disclosures regarding the Group's defined benefit pension scheme are required under the provisions of FRS 17 – 'Retirement Benefits' and these are set out below.

The actuarial valuation described above has been updated at 31 January 2006 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	2006 %	2005 %	2004 %
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	4.6	5.2	5.5
Inflation assumption	2.5	2.5	2.5

The fair value of the assets in the scheme, the present value of liabilities in the scheme and the expected rates of return at each balance sheet date were:

	Long term rate of return expected 2006 %	Value 2006 £'000	Long term rate of return expected 2005 %	Value 2005 £'000	Long term rate of return expected 2004 %	Value 2004 £'000
Equities	7.50	12,419	7.50	8,315	7.50	7,080
Bonds	5.25	8,351	5.25	874	5.25	774
Other	4.50	642	4.50	597	4.50	264
Property	7.50	155	7.50	118	7.50	97
Total market value of assets		21,567		9,904		8,215
Present value of scheme's liabilities		(25,474)		(18,018)		(13,807)
Liability in scheme		(3,907)		(8,114)		(5,592)
Related deferred tax asset		1,171		2,434		1,678
Net pension liability		(2,736)		(5,680)		(3,914)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

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

(d) Additional FRS 17 pension disclosures (continued)

Analysis of the amount credited/(charged) to operating profit

	2006	2005
	£'000	£'000
Gain on curtailment	1,283	-
Current service cost	(759)	(679)
	524	(679)

Analysis of the amount credited to net finance income under FRS 17

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	797	616
Interest on pension scheme liabilities	(952)	(792)
	(155)	(176)

Analysis of the actuarial loss recognised in the statement of total recognised gains and losses

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	3,058	271
Experience gains and losses arising on the scheme liabilities	(1,001)	(264)
Changes in assumptions underlying the present value of the scheme liabilities	(5,648)	(2,334)
	(3,591)	(2,327)

Movement in deficit during the year

	£'000	£'000
Deficit in scheme at 31 January 2005	(8,114)	(5,592)
Movement in the year:		
Gain on curtailment	1,283	-
Current service cost	(759)	(679)
Contributions	7,429	660
Other finance income	(155)	(176)
Actuarial loss	(3,591)	(2,327)
Deficit in scheme at 31 January 2006	(3,907)	(8,114)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

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

(d) Additional FRS 17 pension disclosures (continued)

History of experience gains and losses	Year ending 31 Jan 2006	Year ending 31 Jan 2005	Year ending 31 Jan 2004	Year ending 31 Jan 2003
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	3,058	271	791	(2,400)
Percentage of scheme assets	14.2%	2.7%	9.6%	38.4%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	(1,001)	(264)	(233)	75
Percentage of the present value of scheme liabilities	3.9%	1.5%	1.7%	0.6%
Total actuarial gain recognised in the statement of total recognised gains and losses:				
Amount (£'000)	(3,591)	(2,327)	1,118	(3,083)
Percentage of the present value of scheme liabilities	14.1%	12.9%	8.1%	24.4%

(e) Fair values

The Group holds derivative financial instruments to manage currency and interest rate risks. At 31 January 2006 the Group had forward currency contracts in respect of US \$5.84m and EUR 0.83m (2005 – US \$2.42m and EUR 0.19m). The fair value of the forward currency contracts at 31 January 2006 was £20,000. The total debt subject to interest rate derivative instruments at 31 January 2006 amounts to £135.00m (2005 – £105.00m) with the fair value of these instruments amounting to a liability of £0.43m (2005 – liability of £0.21m).

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 £34.14m;
- (b) The acquisition of a development property for a total cash consideration of £22.80m; and
- (c) The acquisition of a fully let investment property for a total cash consideration of £120.00m.

On 5 April 2006 the Group disposed of the trade and assets of Eden Waste Recycling Limited and its subsidiary.

26. Related party transactions

In accordance with the exemptions provided under FRS 8 “Related Party Disclosures” the Group has not disclosed transactions which eliminate on consolidation.

Sales of £nil (2005 - £3.23m) 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 £nil (2005 - £0.21m) 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 £0.47m (2005 - £0.13m). The balance due from joint ventures at 31 January 2006 is £4.59m (2005 - £4.12m);
- (b) The Group repaid loans from joint ventures of £2.50m (2004 - received loans from joint ventures of £2.50m). The balance due to joint ventures at 31 January 2006 is £nil (2005 - £2.50m);
- (c) The Group paid and received interest at commercial rates on loans to and from joint ventures. Interest receivable was £0.28m (2005 - £0.32m) and interest payable was £0.08m (2004 - £0.10m). At 31 January 2006 interest due from joint ventures was £0.11m (2005 - £0.12m) and interest due to joint ventures was £nil (2005-£0.10m); and
- (d) The Group charged fees to joint ventures of £0.46m (2005 - £0.23) with a balance due at 31 January 2006 of £0.40m (2005 - £0.19m).

27. Controlling party

Mr D.E. Murray and members of his close family control the Company as a result of controlling directly or indirectly 81% of the issued share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006 (continued)

28. Prior year restatement

Adoption of FRS 17 ‘Retirement Benefits’

As a result of the adoption of FRS 17, the Group profit and loss account and the Group balance sheet have been restated to reflect the impact of moving from SSAP 24 to FRS 17. The effects of this change in accounting policy are disclosed in the table below.

Adoption of FRS 25 ‘Financial Instruments: Disclosure and Presentation’

As a result of the adoption of FRS 25, the Group profit and loss account, Group balance sheet and Group cashflow have been restated to reflect the impact of:

(a) cumulative preference shares being shown as debt on the balance sheet rather than as part of called-up share capital or minority interest; and

(b) dividends in relation to these shares being included in the interest charge rather than as a dividend distribution.

	Per 2005 Financial statements £’000	FRS 17 £’000	FRS 25 £’000	Restated 2005 Financial statements £’000
PROFIT & LOSS ACCOUNT				
Operating profit	24,167	(19)	-	24,148
Interest payable	(17,027)	(176)	(769)	(17,972)
Taxation	(5,388)	58	-	(5,330)
Dividends payable	(5,884)	-	769	(5,115)
Profit for the financial year	<u>8,064</u>	<u>(137)</u>	<u>-</u>	<u>7,927</u>
GROUP BALANCE SHEET				
Creditors: amounts falling due after more than one year	(524,048)	-	(35,000)	(559,048)
Net pension liability	-	(5,680)	-	(5,680)
Net assets	<u>172,321</u>	<u>(5,680)</u>	<u>(35,000)</u>	<u>131,641</u>
Called-up share capital	16,464	-	(15,000)	1,464
Profit & loss reserve	39,273	(5,680)	-	33,593
Minority interest	76,320	-	(20,000)	56,320
Total capital employed	<u>172,321</u>	<u>(5,680)</u>	<u>(35,000)</u>	<u>131,641</u>
GROUP CASH FLOW STATEMENT				
Debt due after more than one year	(319,256)	-	(35,000)	(354,256)
Net debt	<u>(556,341)</u>	<u>-</u>	<u>(35,000)</u>	<u>(591,341)</u>

MURRAY

