MURRAY

MURRAY INTERNATIONAL HOLDINGS LIMITED

REPORT AND ACCOUNTS 2007

CONTENTS

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 28 November 2007 at 11.00am to transact the following business:-

1 To receive and consider the Company's financial statements for the year ended 31 January 2007 together with the reports of the directors and auditors thereon.

2 To re-appoint Grant Thornton UK 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, 18 September 2007
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	Sir David 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	Grant Thornton UK LLP, 95 Bothwell Street, Glasgow G2 7JZ
BANKERS	Bank of Scotland, The Mound, Edinburgh EH1 1YZ
SOLICITORS	Dundas & Wilson LLP, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN

CHAIRMAN'S STATEMENT

In a year of transition for the Group I am delighted to report another excellent financial performance. Turnover from continuing operations in the year was £451.7m, an increase of 16% on £390.3m in the prior year. Operating profits* from continuing operations increased by 63% to £39.7m.

Group turnover including acquisitions and disposals was also £451.7m compared to £538.4m in the prior year while profit before tax was £10.2m against £51.1m. However, the prior year results include £149.9m of pre-disposal trading, £19.4m profit before tax and £43.0m of gain from the £118.5m sale of Murray International Metals ("MIM") in December 2005. The Group's underlying business continues to grow and has benefited from the reinvestment of proceeds from the MIM disposal. Accordingly, the financial performance for the year to 31 January 2007 demonstrates the strength and depth of the Group's varied activities.

The sale of MIM proved to be the catalyst for a strategic review of all aspects of the Group's activities. This process continues but has already resulted in a reorganisation and improved focus in our Metals Division, a continuation of the shift in the balance of activity in our Property Division, establishment of and investment in our Outsourcing Services Division and creation of significant opportunities for our Asset Management business.

Divisional trading results continued to be strong with excellent contributions from Metals and Property. In the Metals Division, strong market prices continued in specialist sectors including oil and gas, complex alloys and aerospace. General steel prices in construction and related areas also firmed in comparison to the prior year, fuelled by the strength of demand.

Murray Metals has continued to expand its activities, with acquisitions in the general steel stockholding and distribution sector both during and after the year end. Tipton & Mill Steels Limited was acquired for £3.2m during the year while Newton Steel Stock Limited was purchased for £25.9m after the year end. In addition to further stockholding and distribution capability, Newton provides added value pre-fabrication services to customers and enhances our geographical coverage within the UK. These acquisitions increase our annual volumes of general steel to in excess of 250,000 tonnes, while volumes of steel plate now exceed 60,000 tonnes annually.

We have also strengthened our management team to ensure that our ambitions can be fulfilled. I therefore remain confident that we can capitalise on opportunities that exist for expansion and consolidation in the various sectors in which our Metals Division operates.

PPG, our Property Division, has seen a further shift in the balance of its activity from investment towards development. This change reflects strategic moves to improve geographic and sector diversity, coupled with a reduction in buying opportunities in a strong and keenly priced investment market. In recent months, however, there have been signs of yields softening in certain sectors and investment demand becoming more selective, which factors may provide openings for PPG in the medium term. However, these changes are primarily geographic and product-related with certain areas, particularly London, remaining strong. Positions taken in the South East over a period of several years should serve PPG well over the next few years.

PPG once again took advantage of the strength of the investment market, with the disposal of industrial units in Yorkshire and Edinburgh together with offices in Edinburgh and Aberdeen generating combined proceeds in excess of £26.0m. The investment portfolio has been strengthened by the £120.0m acquisition of Plumtree Court a 200,000 sq.ft. office in the City of London and a £14.0m distribution facility comprising 327,000 sq.ft. near Manchester. Both properties offer a variety of asset management and development opportunities. The purchase of Plumtree Court represents the Group's largest single property investment and demonstrates our presence as a major national player.

In terms of property development, PPG has seen significant activity including the sale of £15.1m of distribution units alongside the M62 and a £23.5m office development near Gatwick which was pre-let to Roche, the pharmaceutical giant. PPG has commenced infrastructure works on a 107-acre distribution park at Normanton in Yorkshire with work on the first speculative units starting in August 2007. The £13.0m facelift to Princes Mall in Edinburgh has now completed. Our

** operating profit stated after gains on sale of fixed assets and investments of £9.3m (2006: £12.7m) and before goodwill impairment of £nil (2006: £23.2m).*

development pipeline remains strong following acquisitions in Bracknell and in London's West End of £18.0m and £23.0m respectively and, subsequent to the year end, in Leeds for £16m. As a result, our current and future projects cover the length and breadth of the UK totalling in excess of £500m and encompassing almost 3.0m sq.ft of space.

Response, our Outsourcing Services Division has undertaken a significant transition during the last year. We have continued to enhance the strength and depth of management and re-branded the activities under the Response banner. In addition, Response has benefited from a £2.0m investment programme concentrating on IT infrastructure, working environment and agent work stations. This has been achieved simultaneously with growing turnover to a figure in excess of £50m, delivering another profitable result and conducting a root and branch review of the operations and strategic direction of Response. All of this leaves us well placed to capitalise on the significant opportunities for profitable growth in the provision of outsourced services in the UK.

Charlotte Capital, our Asset Management Division, completed its £1.9m investment in Capito, an IT services company in December 2006. The transaction included the transfer of the Group's in-house IT activities into Capito and outsourcing of this function to Capito. The investment reflects the creative and value-added focus of our Asset Management Division. The Division's other investments, including Alexander Dennis Limited, continue to thrive while management further develop the portfolio and explore additional investment opportunities. Charlotte Capital's strategic input, flexible approach and strong relationships have enabled it to establish a growing market presence and this is reflected in the opportunity pipeline.

As with the previous season, Rangers Football Club's European progress was not mirrored on the domestic front. While the Club reached the last sixteen of the UEFA Cup, there was no silverware at home. We were therefore delighted to welcome back Walter Smith and a new management team in early 2007. He has a first class track record and I am sure that his return will prove successful. As expected, the absence of Champions League football in 2006/07 adversely impacted the Club's financial performance. Although this was partially offset by income from the UEFA Cup run, the season merely reinforced the importance of operating the Club on a solid financial footing. The continued emergence of domestic talent highlights that this approach can create a sustainable and competitive Club.

Our mining operations are now in the final stages of restoration work. At Kingdom Park in Fife, this incorporates compaction work to enable development of the site and ultimately value realisation. As explained in last year's report, we sold our waste management business, Eden Waste, to Shanks for proceeds totalling almost £4.0m in April 2006.

The Group debt facilities have recently been revised to take account of our growth and transactional activity. At the year end, the ratio of debt to total assets was 69% compared to 63% the previous year, reflecting investments made during the year. Bank of Scotland continues to provide these facilities under a relationship which extends from lender to partner throughout our activities. We look forward to developing our partnership further as we explore new ways to capitalise on our combined skills and resources.

Our growth and success depends on the knowledge, skills, commitment and enthusiasm of the 3,900 people we directly employ. During the year our people have again demonstrated all of these qualities and I am grateful for their support.

The transformation of the Group, which started last year, has continued apace this year. We have increased our focus, further strengthened our management team, invested in our existing operations, expanded our activities through acquisition and delivered a strong set of financial results. Looking forward we have made a positive start to the current financial year and the Group is well placed to take advantage of the changing economic environment we are now witnessing. I am therefore confident that further growth will be secured in the current year.

Sir David E. Murray

18 September 2007

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2007

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 2007.

PRINCIPAL TRADING DIVISIONS

The principal trading divisions of the Group comprise Metals, Property, Outsourcing Services, Asset Management, Mining and Football. Mining activities are classified as discontinued as the Group has ceased coal extraction and is near completion of land restoration work.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

A full business review for the Group is included in the Chairman's Statement on pages 4 and 5. Senior management monitor performance on an ongoing basis by review of key performance indicators ('KPIs') which are specific to each of the Group's divisions.

METALS

Within the Metals Division strengthening prices and increases in tonnage levels have contributed to continuing turnover increasing to £268.4m in the year ended 31 January 2007. This represents an increase of 23% from continuing turnover of £218.1m in the year ended 31 January 2006. Gross margin levels have also improved with margin levels of 23.1% achieved in the year ended 31 January 2007, reporting an increase of 6.9% from the prior year.

PROPERTY

At 31 January 2007, the book value of our Property Division's holdings amounted to £556m, representing an increase of 64% on the £338m of holdings at 31 January 2006. In addition, the net assets of our Property Division increased by £6.7m to £61.8m during the year.

OUTSOURCED SERVICES

Response increased turnover from £45.9m to £50.4m although gross profit margins fell to 29.9% from 33.5% largely due to the mix of business and the competitive nature of the industry. The average number of persons employed continued to increase, rising to 1,437 from 1,295.

ASSET MANAGEMENT

Funds under management continue to grow with an estimated value in excess of £40m compared to £35m in the prior year. This continues to represent a return on cost in excess of 38% . The portfolio comprises a balanced range of investments with c. 10% invested in listed stocks and c. 5% invested in property ventures.

FOOTBALL

The Football Division's turnover from continuing operations has increased by 3.8% to £43.6m in the year ended 31 January 2007. Season ticket sales have increased to over 42,000 and the majority of matches are sold out at record levels. Net operating expenses from continuing operations reduced by £5.7m or 11.8% to £42.5m in the year ended 31 January 2007.

RESULTS AND DIVIDENDS

Details of the results for the year are contained in the consolidated profit and loss account on page 10. Further information in respect of dividends made by the Company is set out in note 8.

DIRECTORS AND THEIR INTERESTS

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

	Ordinary shares of 10p each	
	31 January 2007	31 January 2006
Sir David E. Murray	9,397,386	9,880,190
J.D.G. Wilson	135,242	135,242
I.B. Tudhope	135,242	135,242
D.D. Murray	1,546,974	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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

SUBSTANTIAL SHAREHOLDINGS

At 31 January 2007 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 £0.22m (2006 - £0.18m) to local charitable organisations.

SHARE OPTIONS

J.D.G Wilson and I.B. Tudhope were granted share options as part of a long-term incentive plan under which both have the option to purchase 667,141 and 333,570 ordinary shares respectively in the Company at a price of £14.00 per share. The options are exercisable from 1 February 2008 to 12 January 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. 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 subject to any material departures disclosed and explained in the financial statements; 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, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

SUBSEQUENT EVENTS

Material events and transactions subsequent to 31 January 2007 are referred to in note 25.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

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 policies 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 a combination of interest rate swaps, caps and collars together with other non-speculative hedging instruments to manage its exposure to interest rate movements on its bank borrowings.

AUDITORS

Grant Thornton UK LLP were appointed auditors on 31 October 2006 to fill a casual vacancy in accordance with section 388 (1) of the Companies Act 1985. Special notice pursuant to section 388 (3) having been given, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the 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

18 September 2007

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 2007 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the consolidated and individual Company balance sheets, the consolidated cash flow statement and the related notes 1 to 27. 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 United Kingdom applicable law and 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, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referenced from the business review section of the Report of the Directors. In addition we report to you if, in our opinion, 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 is not disclosed.

We read other information contained within the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

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 2007 and of the Group's profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Glasgow
United Kingdom

19 September 2007

The maintenance of and integrity of the Murray International Holdings Limited website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2007

	NOTE	**2007 £'000**	**2007 £'000**	2006 £'000	2006 £'000
TURNOVER: GROUP & SHARE OF JOINT VENTURES					
Continuing operations			**451,714**		357,339
Acquired operations			**5,590**		-
Discontinued operations			**5,955**		186,110
			463,259		543,449
Less: share of joint ventures' turnover			**(11,538)**		(5,089)
GROUP TURNOVER	2		**451,721**		538,360
Cost of sales	3(a)		**(295,386)**		(373,415)
GROSS PROFIT			**156,335**		164,945
Other operating expenses	3(b)		**(127,506)**		(131,762)
Impairment of goodwill	10		**-**		(23,200)
Total operating expenses			**(127,506)**		(154,962)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**28,829**		33,183	
Impairment of goodwill		**-**		(23,200)	
OPERATING PROFIT AFTER EXCEPTIONAL ITEMS		**28,829**		9,983	
OPERATING PROFIT					
Continuing operations			**31,757**		11,647
Acquired operations			**156**		–
Impairment of goodwill			**-**		(23,200)
Total continuing operations			**31,913**		(11,553)
Discontinued operations			**(3,084)**		21,536
			28,829		9,983
Gain on the sale of fixed assets & investments	4		**9,257**		12,690
Amounts written off investments			**(1,486)**		-
OPERATING PROFIT AFTER GAINS ON SALE OF FIXED ASSETS & INVESTMENTS			**36,600**		22,673
Gain on disposal of subsidiary undertakings	11(b)		**-**		42,960
Gain on acquisition of minority interest			**-**		15,000
Loss on deemed disposal of minority interests			**(578)**		-
Net loss on the termination of discontinued operations	11(d)		**(4,049)**		(1,326)
Share of joint ventures' operating profit			**1,955**		519
PROFIT ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME AND INTEREST			**33,928**		79,826
Investment income	5(a)		**1,435**		575
Net interest payable and similar charges	5(b)		**(25,207)**		(29,278)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			**10,156**		51,123
Tax on profit on ordinary activities	7		**(2,618)**		(3,649)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX			**7,538**		47,474
Minority interests	21		**437**		(11,139)
PROFIT FOR THE FINANCIAL YEAR			**7,975**		36,335

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2007

	NOTE	**2007 £'000**	2006 £'000
Profit for the financial year		**7,975**	36,335
Currency translation adjustments		-	1,178
Actuarial gain/(loss) on defined benefit pension scheme	24(d)	**1,170**	(3,591)
Deferred tax associated with defined benefit pension scheme		**(464)**	(948)
Unrealised surplus on revaluation of investment property	19	**1,775**	2,118
Total recognised gains and losses		**10,456**	35,092
Prior year adjustment		**-**	(5,680)
Total gains and losses recognised since last annual report and financial statements		**10,456**	29,412

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2007

	NOTE	**2007 £'000**	2006 £'000
Reported profit on ordinary activities before taxation		**10,156**	51,123
Realisation of property revaluation gains of prior years	19	**1,651**	500
Historical cost profit on ordinary activities before taxation		**11,807**	51,623
Historical cost profit for the year retained after taxation, minority interests and dividends		**5,626**	22,906

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.

BALANCE SHEETS
AS AT 31 JANUARY 2007

	NOTE	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
FIXED ASSETS					
Tangible assets	9	**626,301**	485,886	**-**	-
Intangible assets	10	**66,139**	73,188	**-**	-
Investments	11	**15,702**	13,035	**1,485**	1,485
Investments in joint ventures:					
- Loans	11	**-**	506	**-**	-
- Goodwill	11	**-**	312	**-**	-
- Share of gross assets	11	**11,447**	16,050	**-**	-
- Share of gross liabilities	11	**(9,165)**	(13,683)	**-**	-
		710,424	575,294	**1,485**	1,485
CURRENT ASSETS					
Stocks	12	**155,520**	69,205	**-**	-
Debtors: Amounts falling due within one year	13	**101,460**	96,420	**410**	169
Debtors: Amounts falling due after more than one year	13	**3,516**	4,293	**-**	-
Investments	14	**2,065**	40	**-**	-
Cash at bank and in hand		**2,156**	1,373	**35,545**	52,620
		264,717	171,331	**35,955**	52,789
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(186,251)**	(182,573)	**(3,475)**	(14,842)
NET CURRENT ASSETS/(LIABILITIES)		**78,466**	(11,242)	**32,480**	37,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**788,890**	564,052	**33,965**	39,432
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	**(643,092)**	(409,436)	**(15,000)**	(15,000)
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(1,725)**	(4,690)	**-**	-
NET PENSION LIABILITY	24	**(1,546)**	(2,736)	**-**	-
NET ASSETS		**142,527**	147,190	**18,965**	24,432
CAPITAL AND RESERVES					
Called up share capital	18	**1,478**	1,478	**1,478**	1,478
Consolidation reserve	19	**4,963**	4,963	**-**	-
Revaluation reserve	19	**4,294**	4,169	**-**	-
Share premium account	19	**20,771**	20,771	**903**	903
Capital redemption reserve	19	**15,022**	15,022	**22**	22
Profit and loss account	19	**61,873**	55,263	**16,562**	22,029
Translation reserve	19	**(304)**	(271)	**-**	-
SHAREHOLDERS' FUNDS	20	**108,097**	101,395	**18,965**	24,432
MINORITY INTERESTS	21	**34,430**	45,795	**-**	-
TOTAL CAPITAL EMPLOYED		**142,527**	147,190	**18,965**	24,432

Signed on behalf of the Board on 18 September 2007

Sir David 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 2007

	NOTE	**2007 £'000**	2006 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		**34,445**	40,367
Dividends from joint ventures		**1,366**	360
Servicing of finance and returns on investments	22(a)	**(25,788)**	(30,426)
Taxation	22(b)	**1,153**	(5,925)
Capital expenditure and financial investment	22(c)	**(201,921)**	47,278
Acquisitions and disposals	22(d)	**(3,242)**	75,061
Dividends paid	22(e)	**(17,929)**	(5,115)
Cash (outflow)/inflow before management of liquid resources and financing		**(211,916)**	121,601
Management of liquid resources	22(f)	**(1,997)**	-
Financing	22(g)	**219,407**	(51,476)
Increase in cash during the year		**5,494**	70,125
RECONCILIATION OF OPERATING PROFIT TO CASH INFLOWS FROM OPERATING ACTIVITIES			
Operating profit		**28,829**	9,983
Depreciation charges		**9,111**	13,382
Amortisation of intangible assets		**4,040**	5,341
Permanent diminution in development properties		**1,148**	-
Write off of fixed assets and investments		**91**	24,110
Exchange gains		**(182)**	(190)
Gain on the sale of current asset investments		**(48)**	-
Elimination of unrealised profit		**-**	(206)
Gain on sale of tangible assets		**(87)**	-
Gain on sale of football registrations		**(1,440)**	(280)
FRS 17 adjustment to pension contributions		**119**	80
Increase in stocks		**(32,332)**	(1,082)
Increase in debtors		**(3,813)**	(14,284)
Increase/(decrease) in creditors		**26,789**	(318)
Amortisation of player registrations		**2,279**	4,060
Amortisation of joint venture goodwill		**312**	168
Amortisation of government grants		**(371)**	(397)
Net cash inflow from operating activities		**34,445**	40,367
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 23)			
Increase in cash in the year		**5,494**	70,125
Cash (inflow)/outflow from debt and lease financing		**(219,407)**	52,392
Change in net debt resulting from cash flows		**(213,913)**	122,517
New finance leases		**(458)**	(778)
Other non-cash movements		**(20)**	10
Increase in current asset investments		**2,045**	-
Net disposed overdraft balances on the sale of subsidiary undertaking		**2,718**	1,261
Movement in net debt in the year		**(209,628)**	123,010
Net debt at beginning of year		**(468,331)**	(591,341)
Net debt at end of year		**(677,959)**	(468,331)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007

1. Accounting policies

The Group's principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

(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.

On the introduction of FRS 25 there existed a class of £20.0m preference shares of £1 each in a subsidiary undertaking that was previously classified as a minority interest. Under FRS 25, these shares are classified as a financial liability as they are redeemable over time or on the sale of the business up to a value of £20.0m. The timing of the repayment is dependent on future uncertain events regarding the profits and disposal of the business. As such, under FRS 25 the directors consider it impracticable to re-estimate the fair value under FRS 25 without undue reliance on hindsight. Accordingly the value of the liablity has been transferred at its original carying value.

(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 2007. 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.

Associates and joint ventures held by the Asset Management division are not equity accounted for under the provisions of FRS 9 'Associates and JointVentures' as they are held as part of an investment portfolio. Such investments are held at cost. The directors consider that this accounting policy, which represents a departure from the Companies Act 1985, is necessary to provide a true and fair view.

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 at the point they are recieved or approved by the shareholders of the subsidiary.

As provided for in Section 230 of the Companies Act 1985, no profit and loss account is presented for the Company. The loss for the financial year attributable to the shareholders of the Company was £1.47m (2006 - profit of £35.00m).

(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 interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. 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 depreciation. 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 disposal or realisation strategy for each property, with all properties held for both development and resale treated as stock.

In accordance with SSAP 19 'Accounting for Investment Properties', investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the 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. The directors consider that this accounting policy, which represents a departure from the Companies Act 1985, is necessary to provide a true and fair view.

Interest is capitalised from the point at which development expenditure is incurred until the date of practical completion, except where there is a substantial delay between acquisition and commencement of physical construction, where capitalisation will commence at the latter point. Where properties are held for re-development, interest is capitalised from the point of re-development.

Where there is a fundamental change in the nature of an investment property such as commencement of development activity it will be classified as a development property within tangible fixed assets, or transferred to stocks in line with the above criteria.

Certain freehold properties, which are not depreciated, are subject to annual impairment reviews. In particular, the Ibrox Stadium and football training facilities 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 100 and 75 years respectively 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 2007 (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 or reducing balance basis over its expected useful life, as follows:

Freehold buildings	10-100 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.

Any excess of the aggregate of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given (negative goodwill) is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Goodwill arising on aquisitions in the year ended 30 April 1998 and earlier periods was written off to reserves in accordance with accounting standards 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 disposal of a previously acquired property interest, the attributable amount of goodwill previously written off to reserves has not been reinstated in the balance sheet, however it is included in determining the profit or loss on disposal.

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). The 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.

Development properties held for development and 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) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

1. Accounting policies (continued)

(h) Taxation (continued): 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.

(i) 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.

(j) Pension costs: The Group operates retirement benefits schemes which cover certain employees in the Group. The schemes are defined contribution and defined benefit in nature.

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.

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).

(k) 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.

(l) 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, fee income and the sale of development properties (excluding VAT and intra-group transactions). Rental income is recognised when it is receivable and income from the sale of development properties is recognised when the transaction is complete.

Turnover from football represents income receivable from football and related activites and is stated net of value added tax. Turnover is analysed principally between ticket sales, media, hospitality, retail and sponsorship income. Ticket and hospitality income is recognised over the period of the football season as games are played. The fixed element of broadcasting revenues is recognised over the duration of the football season, whilst UEFA distributions are spread over the European matches played, with distributions relating to match performance taken when earned. Sponsorship and similar commercial income is recognised over the term of the respective contracts.

Retail sales through discontinued activities represents income received from the sale of branded goods, principally replica kits, through retail outlets and on-line ordering. In June 2006, the Club agreed to grant a ten year licence to JJB Sports plc for an initial advanced consideration together with a guaranteed minimum annual royalty in each year of the licence. The advance consideration is spread evenly over the term of the agreement. The royalty income receivable is classed as turnover net of value added tax.

(m) 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).

(n) 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 2007 (continued)

1. Accounting policies (continued)

(o) Derivatives: The Group uses derivative financial instruments to reduce its exposure to interest rate and exchange rate 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.

For foreign exchange contracts the transactions to which they relate are translated at the contracted rate of agreement.

(p) Financial Instruments: Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then it is classified an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Segment information

Contributions to Group turnover are as follows:

	2007 Acquired £'000	**2007 Continuing £'000**	**2007 Discontinued £'000**	**2007 Total £'000**	2006 Continuing £'000	2006 Discontinued £'000	2006 Total £'000
By activity:							
Metals	**5,590**	**268,354**	**-**	**273,944**	218,065	149,890	367,955
Property (including joint ventures)	**-**	**82,336**	**-**	**82,336**	48,941	-	48,941
Asset management	**-**	**7,056**	**-**	**7,056**	2,466	-	2,466
Outsourcing services	**-**	**50,387**	**-**	**50,387**	45,900	-	45,900
Mining	**-**	**-**	**3,900**	**3,900**	-	15,506	15,506
Football	**-**	**43,581**	**2,055**	**45,636**	41,967	20,714	62,681
Less: joint venture turnover	**-**	**(11,538)**	**-**	**(11,538)**	(5,089)	-	(5,089)
	5,590	**440,176**	**5,955**	**451,721**	352,250	186,110	538,360
By geographical destination:							
United Kingdom	**5,590**	**351,431**	**5,955**	**362,976**	286,986	99,585	386,571
Outwith the United Kingdom	**-**	**88,745**	-	**88,745**	65,264	86,525	151,789
	5,590	**440,176**	**5,955**	**451,721**	352,250	186,110	538,360
By geographical origin:							
United Kingdom	**5,590**	**395,863**	**5,955**	**407,408**	316,385	106,483	422,868
Outwith the United Kingdom	-	**44,313**	-	**44,313**	35,865	79,627	115,492
	5,590	**440,176**	**5,955**	**451,721**	352,250	186,110	538,360

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:

	2007 Acquired £'000	**2007 Continuing £'000**	**2007 Discontinued £'000**	**2007 Total £'000**	2006 Continuing £'000	2006 Discontinued £'000	2006 Total £'000
(a) Cost of sales	**4,736**	**285,938**	**4,712**	**295,386**	235,459	137,956	373,415

	2007 Acquired £'000	**2007 Continuing £'000**	**2007 Discontinued £'000**	**2007 Total £'000**	2006 Continuing £'000	2006 Discontinued £'000	2006 Total £'000
(b) Other operating expenses							
Distribution expenses	**386**	**14,893**	**255**	**15,534**	13,312	5,550	18,862
Administrative expenses	**312**	**107,588**	**4,072**	**111,972**	91,832	21,068	112,900
	698	**122,481**	**4,327**	**127,506**	105,144	26,618	131,762

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

3. Operating profit (continued)

(c) Miscellaneous

	2007 £'000	2006 £'000
Depreciation		
- owned assets	**7,840**	10,476
- held under finance leases and hire purchase contracts	**1,271**	2,906
Amortisation of goodwill and other intangible fixed assets	**4,040**	5,341
Impairment of goodwill	**-**	23,200
Impairment of fixed assets	**-**	860
Amortisation of player registrations	**2,279**	4,060
Amortisation of goodwill on joint venture investments	**312**	168
Operating lease rentals		
- property	**4,500**	5,073
- other	**2,497**	2,361
Auditors' remuneration		
- Fees paid to Group auditor for the audit of the annual accounts	**48**	41
- The audit of the Company's subsidiaries, pursuant to legislation	**329**	183
- Services relating to corporate finance transactions	**68**	-
Gain on sale of tangible fixed assets	**(87)**	-
Exchange gains	**(182)**	(190)
Gain on the sale of football player registrations	**(1,440)**	(280)

In addition to the above, the Group paid £0.06m (2006 - £0.22m) to audit firms other than the Group auditors in relation to the audit.

4. Gain on sale of fixed assets and investments

	2007 £'000	2006 £'000
Gain on sale of tangible fixed assets	**1,608**	1,476
Gain on disposal of investment properties	**7,649**	11,214
	9,257	12,690

The Group recognised gains on the disposal of investment properties of £7.65m (2006 - £11.21m) during the year. The sale of one of the properties in the prior year, Cloth Hall Court, was effected by the disposal of the Group's shareholding in PPG Metro CHC Limited which acquired the property earlier in that 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 was not treated as an investment during that year.

On 5th April 2006 the Group sold the trade and assets of Eden Waste Recycling Limited and its subsidiary, resulting in a gain of £1.12m.

5. Investment income and net interest payable

	2007 £'000	2006 £'000
(a) Investment income		
Income from fixed asset investments	**1,178**	575
Net return on pension scheme	**257**	-
	1,435	575
(b) Net interest payable and similar charges		
Bank loans and overdrafts	**36,618**	33,569
Less: bank interest receivable	**(8,042)**	(5,057)
Net bank interest payable	**28,576**	28,512
Finance leases and hire purchase contracts	**461**	522
Dividends on cumulative redeemable preference shares	**769**	769
Net return on pension scheme	**-**	155
Other loans	**1,142**	1,216
	30,948	31,174
Less: interest capitalised on development properties and included within stock and fixed assets.	**(5,741)**	(1,896)
	25,207	29,278

Capitalised interest is based on normal commercial rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

6. Staff costs

	2007	2006
	£'000	£'000
Employee costs during the year amounted to:		
Wages and salaries	**77,444**	72,980
Social security costs	**7,778**	6,950
Pension costs	**2,371**	2,631
Contributions to remuneration trust	**6,874**	9,663
	94,467	92,224

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:	2007 Number	2006 Number
Production and sales	**3,283**	3,322
Administration	**597**	576
	3,880	3,898

Directors' remuneration during the year amounted to:	2007 £'000	2006 £'000
Fees	**124**	114
Emoluments	**3,571**	3,741
Contributions to money purchase pension schemes	**436**	1,137
	4,131	4,992

The directors' remuneration shown above included the following in respect of the highest paid director:	2007 £'000	2006 £'000
Emoluments	**1,984**	1,857
Contributions to money purchase pension schemes	**180**	240
	2,164	2,097

The number of directors who were members of pension schemes was as follows:	2007 Number	2006 Number
Money purchase schemes	**5**	6

7. Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
Current tax:		
UK corporation tax	**1,842**	1,748
Overseas tax	**667**	2,318
	2,509	4,066
Adjustments in respect of prior years - UK corporation tax	**(16)**	(180)
Total current tax charge	**2,493**	3,886
Deferred tax:		
Origination and reversal of timing differences	**(469)**	(707)
(Increase)/decrease in estimate of recoverable deferred tax asset	**(65)**	126
Total deferred tax credit (note 17)	**(534)**	(581)
Share of joint ventures' tax charge	**614**	29
FRS 17 tax charge	**45**	315
Total tax on profit on ordinary activities	**2,618**	3,649

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (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:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	**10,156**	51,123
Less share of joint ventures' profit before tax	**(1,955)**	(490)
Group profit on ordinary activities before tax	**8,201**	50,633
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2006 - 30%)	**2,460**	15,190
Effects of:		
Expenses not deductible for tax purposes	**3,441**	10,166
Capital allowances in excess of depreciation	**(1,033)**	655
Utilisation of tax losses	**(2,097)**	(893)
Capital gains	**2,409**	1,029
Adjustments for long accounting periods/acquisitions	**(106)**	(6)
Adjustments to tax charge in respect of previous periods	**(16)**	(180)
Adjustments for overseas tax	**49**	(452)
Dividends from UK companies	**8,951**	(7)
Short term timing differences	**(1,011)**	(149)
Non taxable income and gains	**(12,125)**	(21,152)
FRS 17 adjustment	**(159)**	(315)
Adjustment for minority interest	**173**	-
Unutilised tax losses	**1,557**	-
Group current tax charge for year	**2,493**	3,886

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 prior 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(b).

8. Dividends

	2007 £'000	2006 £'000
Final dividend of 27.07p (2006 - 101.5p) per share	**4,000**	13,929

In the current year certain shareholders waived their entitlement to receive £nil of dividends (2006 - £1.07m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

9. Tangible fixed assets

The movement in the year was as follows:

Group	Land & buildings Freehold £'000	Leasehold £'000	Development properties £'000	Investment properties £'000	Plant, equipment & vehicles £'000	Total £'000
Cost or valuation:						
At 31 January 2006	**148,620**	**8,769**	**121,124**	**199,605**	**50,586**	**528,704**
Additions	2,464	229	91,634	137,895	8,598	240,820
(Permanent diminution in value)/revaluations	-	-	(1,148)	3,382	-	2,234
Transfer to stock	-	-	(51,994)	-	-	(51,994)
Disposals	(5,781)	(1,435)	(16,141)	(16,310)	(17,398)	(57,065)
Exchange adjustments	(29)	-	-	-	(146)	(175)
At 31 January 2007	**145,274**	**7,563**	**143,475**	**324,572**	**41,640**	**662,524**
Depreciation:						
At 31 January 2006	**9,668**	**2,555**	**-**	**-**	**30,595**	**42,818**
Charge for the year:						
- owned assets	1,475	723	-	-	5,642	7,840
- HP/leased assets	-	-	-	-	1,271	1,271
Provision for impairment	-	-	-	-	91	91
Disposals	(278)	(1,097)	-	-	(14,325)	(15,700)
Exchange adjustments	(10)	-	-	-	(87)	(97)
At 31 January 2007	**10,855**	**2,181**	**-**	**-**	**23,187**	**36,223**
Net book value at 31 January 2007	**134,419**	**5,382**	**143,475**	**324,572**	**18,453**	**626,301**
Net book value at 31 January 2006	138,952	6,214	121,124	199,605	19,991	485,886
Leased assets included in the above:						
Net book value at 31 January 2007	**-**	**-**	**-**	**-**	**1,553**	**1,553**
Net book value at 31 January 2006	-	-	-	-	4,248	4,248

Freehold and leasehold investment properties were valued on an open market, existing - use basis, by the directors as at 31 January 2007. The valuations were undertaken by an officer of the Group who is a qualified chartered surveyor. The valuations were made in full compliance with RICS Appraisal and Valuation manual. In addition, the Group policy is for all properties to be valued on acquisition.

The historical cost of investment properties at the year end was £316.52m (2006 - £193.16m). In accordance with SSAP 19, the investment properties are not depreciated. It is not possible to quantify the depreciation which would otherwise have been charged.

Cumulative interest capitalised included in the cost of the development properties, leasehold land and buildings amounts to £4.74m (2006 - £1.90m).

The Company has no tangible fixed assets (2006 - £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 directors determined the valuation of these properties on a depreciated replacement cost basis at 30 June 2006 based on a valuation received from Messrs. DM Hall, Chartered Surveyors.

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

	2007 Land & buildings £'000	**2007** Plant equipment & vehicles £'000	2006 Land & buildings £'000	2006 Plant equipment & vehicles £'000
Professionally valued	**444,089**	**-**	317,698	-
At cost	**176,795**	**41,640**	160,420	50,586
Cost or valuation at 31 January	**620,884**	**41,640**	478,118	50,586

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 2007 (continued)

10. Intangible fixed assets

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

	Group 2007 £'000	Group 2006 £'000
Goodwill	**55,840**	65,222
Player registrations	**10,272**	7,662
Other intangible fixed assets	**27**	304
	66,139	73,188

The movement in the year was as follows:

	Goodwill £'000	**Player registrations £'000**	**Other intangible fixed assets £'000**	**Total £'000**
Cost:				
At 31 January 2006	98,470	12,140	3,290	113,900
Additions	4,381	6,768	-	11,149
Disposals	-	(3,705)	-	(3,705)
Transfer from minority interest (note 21)	(10,000)	-	-	(10,000)
At 31 January 2007	**92,851**	**15,203**	**3,290**	**111,344**
Amortisation:				
At 31 January 2006	33,248	4,478	2,986	40,712
Charge for the year	3,763	2,279	277	6,319
Disposals	-	(1,826)	-	(1,826)
At 31 January 2007	**37,011**	**4,931**	**3,263**	**45,205**
Net book value at 31 January 2007	**55,840**	**10,272**	**27**	**66,139**
Net book value at 31 January 2006	65,222	7,662	304	73,188

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

The Company has no intangible fixed assets (2006 - £nil).

In the prior 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 estimated 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 2007 (continued)

11. Fixed asset investments

The following are included in the net book value of fixed asset investments:	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Subsidiary undertakings	**-**	-	**1,485**	1,485
Joint ventures	**2,282**	3,185	**-**	-
Other investments	**15,702**	13,035	**-**	-
	17,984	16,220	**1,485**	1,485

The movement in the year was as follows:	Group	Group	Company
	Joint ventures	Other investments	Subsidiary undertakings
	£'000	£'000	£'000
Cost:			
At 31 January 2006	3,353	14,839	1,485
Acquisitions	-	4,153	-
Repayment of loan	(566)	-	-
Dividends from joint ventures	(1,366)	-	-
Share of retained profit for the year	1,341	-	-
At 31 January 2007	**2,762**	**18,992**	**1,485**
Provision for impairment:			
Amounts provided at 31 January 2006	168	1,804	-
Amortisation of goodwill	312	-	-
Amounts provided	-	1,486	-
At 31 January 2007	**480**	**3,290**	-
Net book value at 31 January 2007	**2,282**	**15,702**	**1,485**
Net book value at 31 January 2006	3,185	13,035	1,485

During the current year the Group acquired 42% of the ordinary share capital of Capito Holdings Limited for £1.9m. Capito Holdings Limited provides IT services and is registered in the United Kingdom.

Subsidiary undertakings:

The principal trading subsidiary undertakings of the Company at 31 January 2007 were as follows:

	Principal activity	Percentage control by Group at 31 January 2007
Murray Group Management Limited	Management services	100
Austin Trumanns Steel Limited	Steel stockholding and trading	95
Austin Trumanns Ireland Limited	Steel stockholding and trading	95
Austin Trumanns Scotland Limited	Steel stockholding and trading	95
Premier Alloys Limited	Metal stockholding and trading	86
Northern Steel Stocks Limited	Steel trading	95
Forth Steel Limited	Metal processing	88
Tipton and Mill Steels Limited	Steel stockholding and processing	95
Multi Metals Limited	Metal stockholding and processing	95
Apollo Metals Limited	Aerospace aluminium trading	90
Ireland Alloys Limited	Buying and selling secondary alloy materials	95
The Premier Property Group Limited	Property development and investment	100
PPG Metro Limited	Property investment	52
PPG Land Limited	Property development and investment	95
PPG Southern Limited	Property development and investment	100
The Rangers Football Club plc	Operation of a football club	60
G M Mining Limited	Opencast mining	100
Charlotte Capital Limited	Asset management	100
Rise Scotland Limited	Provision of recruitment services	93
Response Handling Limited	Outsourcing services	100

All of the above companies are held indirectly through subsidiary undertakings and incorporated within the United Kingdom.

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 2007 (continued)

11. Fixed asset investments (continued)

Acquisition of subsidiary undertakings:

(a) On 4 September 2006, the Group acquired 100% of the ordinary share capital of Ultivex Limited and its subsidiary Tipton & Mill Steels Limited. The fair value of the net assets acquired was not materially different from book value. The net assets acquired and related purchase consideration are as follows:

	£'000
Tangible assets	233
Current assets	6,077
Creditors due within one year	(4,289)
Net assets acquired	2,021
Goodwill on acquisition	1,221
Purchase consideration	3,242

The operating profit for the period from acquisition to 31 January 2007 is £0.16m and profit after tax is £0.11m. Pre-acquisition profit after tax for the period commencing 1 August 2005 was £1.01m (period commencing 1 June 2004 - £0.78m). The Group acquired £0.48m of bank overdraft as part of the acquisition.

Disposal of subsidiary undertakings:

(b) 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	117,655
Consideration paid by pre-disposal dividend	(25,000)
	92,655
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 other investments. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

The cashflows as a result of the disposal were:

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

(c) On 5 April 2006 the Group sold the trade and assets of Eden Waste Recycling Limited and its subsidiary resulting in a gain of £1.12m, see note 4. The operating loss for the year ended 31 January 2007 was £0.27m (2006 - £0.89m) and profit after tax was £0.57m (2006 - loss of £0.83m).

The principal associated undertakings and joint ventures at 31 January 2007 were as follows:

	Percentage of ordinary shares held at 31 January 2007
PPG (Lothian) Limited*	50
Port Royal Golf Limited**	50
Premier Burrell Limited*	50
Bretton Street Developments Limited*	48
Haymarket Court Limited*	50
Alexander Dennis Limited*	30
Capito Holdings Limited*	42

* Held indirectly through subsidiary undertaking.
** Held indirectly through joint venture undertaking.

The principal activity of PPG (Lothian) Limited, Premier Burrell Limited, Bretton Street Developments Limited and Haymarket Court Limited is property development. The principal activity of Port Royal Golf Limited is the operation of leisure facilities. The principal activity of Alexander Dennis Limited is bus body and chassis manufacture and the principal activity of Capito Holdings Limited is IT Service provision. Included within the Group's investment in these companies are loans of £nil (2006 - £0.51m) and goodwill of £nil (2006 - £0.31m). Goodwill in respect of such project-specific joint ventures is amortised over a period not exceeding 20 years.

(d) During the current year the Group incurred costs in respect of contract and lease terminations, redundancy entitlements and asset write downs associated with the decision to dispose of the retail activities of The Rangers Football Club plc. The operating loss up to termination was £2.04m and exceptional costs in the year were £4.47m.

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 debenture bears a commercial rate of return.

12. Stocks

	Group 2007 £'000	Group 2006 £'000
Goods for resale	**25,829**	19,705
Raw materials	**40,896**	31,563
Development properties	**87,579**	17,318
Work in progress	**1,216**	619
	155,520	69,205

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

Cumulative capitalised interest included in the cost of development properties amounts to £2.41m (2006 - £0.48m).

The Company holds no stock (2006 - £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

13. Debtors

	Group 2007 £'000	Group 2006 £'000	**Company 2007 £'000**	Company 2006 £'000
Amounts falling due within one year:				
Trade debtors	**72,645**	59,889	**-**	-
Amounts owed by joint venture undertakings	**4,751**	5,111	**-**	-
Amount owed by related parties	**2,362**	-	**-**	-
UK corporation tax recoverable	**-**	3,030	**-**	-
VAT recoverable	**957**	3,215	**-**	-
Other debtors	**13,698**	14,414	**410**	169
Prepayments and accrued income	**7,047**	10,761	**-**	-
	101,460	96,420	**410**	169
Amounts falling due after more than one year:				
Other debtors	**1**	3,335	**-**	-
Amounts owed by related parties	**2,000**	-	**-**	-
Deferred tax asset (note 17)	**1,515**	958	**-**	-
	3,516	4,293	**-**	-
	104,976	100,713	**410**	169

14. Current asset investments

	Group 2007 £'000	Group 2006 £'000
Listed investments	**2,045**	-
Other current asset investments	**20**	40
	2,065	40

The market value of the listed investments at 31 January 2007 is £2.0m. The investments are held at cost less any provision for impairment.

The Company holds no current asset investments (2006 - £nil).

15. Creditors: Amounts falling due within one year

	Group 2007 £'000	Group 2006 £'000	**Company 2007 £'000**	Company 2006 £'000
Bank overdrafts (secured)	**58,471**	65,900	**-**	-
Bank loans (secured)	**1,555**	1,442	**-**	-
Trade creditors	**63,146**	52,948	**-**	-
Finance lease and hire purchase obligations	**435**	1,418	**-**	-
Loan notes	**1,700**	1,718	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**456**	144
Amounts owed to related parties	**14**	21	**-**	-
Corporation tax payable	**403**	176	**-**	-
Overseas tax payable	**459**	72	**-**	-
Other taxes and social security	**3,909**	3,988	**-**	-
VAT payable	**-**	820	**-**	-
Other creditors	**4,288**	2,610	**-**	-
Accruals and deferred income	**50,877**	36,424	**2,250**	-
Capital grants deferred	**225**	338	**-**	-
Dividends payable				
- ordinary shares	**-**	13,929	**-**	13,929
- cumulative redeemable preference shares	**769**	769	**769**	769
	186,251	182,573	**3,475**	14,842

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (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.

All bank loans bear interest at commercial rates.

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

	Group 2007 £'000	Group 2006 £'000	**Company 2007 £'000**	Company 2006 £'000
Bank loans (secured)	**563,922**	342,703	**-**	-
Trade creditors	**567**	251	**-**	-
Finance lease and hire purchase obligations	**4,824**	5,040	**-**	-
Cumulative redeemable preference shares	**35,000**	35,000	**15,000**	15,000
Loan notes	**16,273**	16,523	**-**	-
Deferred income	**22,506**	9,919	**-**	-
	643,092	409,436	**15,000**	15,000

Repayments on total borrowings are due as follows:

	Group 2007 £'000	Group 2006 £'000
Bank loans and overdrafts:		
On demand or within 1 year	**60,026**	67,342
Between 1 and 2 years	**18,510**	91,537
Between 2 and 5 years	**527,879**	216,607
After 5 years	**17,533**	34,559
	623,948	410,045
Loan notes:		
On demand or within 1 year	**1,700**	1,718
Between 1 and 2 years	**450**	450
Between 2 and 5 years	**15,750**	16,000
After 5 years	**73**	73
	17,973	18,241
Cumulative redeemable preference shares:		
Between 2 and 5 years	**35,000**	20,000
After 5 years	**-**	15,000
	35,000	35,000
Finance leases and hire purchase obligations:		
On demand or within 1 year	**435**	1,418
Between 1 and 2 years	**358**	575
Between 2 and 5 years	**524**	594
After 5 years	**3,942**	3,871
	5,259	6,458
Total borrowings:		
On demand or within 1 year	**62,161**	70,478
Between 1 and 2 years	**19,318**	92,562
Between 2 and 5 years	**579,153**	253,201
After 5 years	**21,548**	53,503
	682,180	469,744

Included within borrowings due after more than 5 years is a term loan for a total of £17.3m repayable over 22 years by equal instalments from 2007.

All loans bear interest at commercial rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

17. Provisions for liabilities and charges

	Group 2007 £'000	Group 2006 £'000
Provisions comprise:		
Other provisions	**1,725**	4,690

Other provisions relate to land restoration for opencast mining and the closure of our 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 by 30 September 2007.

The movement on provisions during the year comprises:	Deferred taxation		Other provisions	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Beginning of year	**(958)**	(670)	**4,690**	3,591
Credited to profit and loss account	**(534)**	(581)	**-**	1,326
Utilisation of provision	**-**	-	**(3,090)**	(227)
Acquisition of subsidiary undertakings	**(23)**	-	**-**	-
Increase in the year	**-**	293	**125**	-
	(1,515)	(958)	**1,725**	4,690

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 £9.21m (2006 – £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(h)).

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.

Deferred tax is provided as follows:	**2007 £'000**	2006 £'000
Group		
Accelerated capital allowances	**(266)**	(372)
Other timing differences	**729**	413
Tax losses available	**1,052**	917
	1,515	(958)
Transferred to debtors (note 13)	**(1,515)**	958
Provision for deferred tax	**-**	-

18. Called up share capital

	2007 £'000	2006 £'000
Authorised:		
15,846,948 (2006 - 15,000,000) ordinary shares of 10p each	**1,585**	1,500
15,000,000 (2006 - 15,000,000) cumulative redeemable preference shares of £1 each	**15,000**	15,000
	16,585	16,500
Issued and fully paid:		
Equity		
14,778,237 (2006 - 14,778,237) ordinary shares of 10p each	**1,478**	1,478
Shares classified as financial liabilities		
15,000,000 (2006 - 15,000,000) cumulative redeemable preference shares of £1 each	**15,000**	15,000

On 12 January 2007 the Company increased its authorised share capital by 846,948 ordinary shares of 10p each.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

19. Reserves

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

	Group 2007 £'000	Group 2006 £'000	**Company 2007 £'000**	Company 2006 £'000
Distributable				
Profit and loss account	**61,873**	55,263	**16,562**	**22,029**
Translation reserve	**(304)**	(271)	**-**	**-**
	61,569	54,992	**16,562**	**22,029**
Non-distributable				
Consolidation reserve	**4,963**	4,963	**-**	**-**
Investment property revaluation reserve	**4,294**	4,169	**-**	**-**
Share premium account	**20,771**	20,771	**903**	**903**
Capital redemption reserve	**15,022**	15,022	**22**	**22**
	106,619	99,917	**17,487**	**22,954**

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 2006	55,263	(271)	22,029
Profit/(loss) for the financial year	7,975	-	(1,467)
Dividend paid	(4,000)	-	(4,000)
Actuarial gain (net of deferred tax)	706	-	-
Realisation of revaluation gain on property disposal	1,651	-	-
Movement on Rangers Bond	777	-	-
Exchange adjustments	(523)	(33)	-
Other	24	-	-
At 31 January 2007	**61,873**	**(304)**	**16,562**

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

	Group Consolidation reserve £'000	**Group Revaluation reserve £'000**	**Group Share premium account £'000**	**Group Capital redemption reserve £'000**	**Company Share premium account £'000**	**Company Capital redemption reserve £'000**
At 31 January 2006	4,963	4,169	20,771	15,022	903	22
Surplus on property revaluations	-	3,382	-	-	-	-
Minority interest share of surplus on revaluation	-	(1,606)	-	-	-	-
Realisation of revaluation gain on property disposal	-	(1,651)	-	-	-	-
At 31 January 2007	**4,963**	**4,294**	**20,771**	**15,022**	**903**	**22**

A previous group reorganisation has resulted in both the Group and the Company having a share premium account and a capital redemption reserve.

The cumulative amount of goodwill written off directly to Group reserves is £5.17m (2006 - £5.17m). The cumulative amount of negative goodwill added to Group reserves is £7.27m (2006 - £7.27m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

20. Reconciliation of movement in shareholders' funds

	Group 2007 £'000	Group 2006 £'000	**Company 2007 £'000**	Company 2006 £'000
Total recognised gains and losses relating to the year	**10,456**	35,092	**(1,467)**	35,006
Dividends payable to shareholders	**(4,000)**	(13,929)	**(4,000)**	(13,929)
Movement on Rangers Bond	**777**	-	-	-
Issue of share capital	**-**	918	**-**	918
Transfer from minority interest	**-**	3,243	**-**	-
Exchange movements	**(555)**	59	**-**	-
Disposal of subsidiary undertaking	**-**	691	**-**	-
Other	**24**	-	-	-
Movement in shareholders' funds	**6,702**	26,074	**(5,467)**	21,995
Opening shareholders' funds	**101,395**	75,321	**24,432**	2,437
Closing shareholders' funds	**108,097**	101,395	**18,965**	24,432

21. Minority interests

	Minority interests £'000	Rangers Bond £'000	Total £'000
At 31 January 2006	37,283	8,512	45,795
Share of loss on ordinary activities after tax	(437)	-	(437)
Dividends paid or payable	(2,021)	-	(2,021)
Minorities purchased	(290)	-	(290)
Minorities disposed	578	-	578
Transferred to profit and loss reserves	-	(777)	(777)
Share of other reserve movements	1,582	-	1,582
Transfer to goodwill	(10,000)	-	(10,000)
At 31 January 2007	**26,695**	**7,735**	**34,430**

The Rangers Bond represents debentures which are unsecured and on which 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 and as such, under FRS 25 they have been classified as equity instruments.

During the year unissued bonds with a nominal value of £0.77m were released. As there is no longer an obligation in relation to these bonds their value has been credited to the profit and loss reserve.

The transfer of £10.0m from minority interest to goodwill is in relation to £10.0m of redeemable preference shares of £1 each in a subsidiary undertaking held by a third party at the time of acquisition. The terms of these shares are such that the maximum redemption value is £1 and therefore minority interests and goodwill have been amended.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

22. Analysis of cash flows

		Group 2007 £'000	Group 2006 £'000
(a)	**Servicing of finance and returns on investments**		
	Interest received	**1,178**	1,371
	Interest paid	**(23,715)**	(28,985)
	Interest element of finance lease and hire purchase rentals	**(461)**	(522)
	Dividends received	**-**	50
	Preference dividend paid	**(769)**	(769)
	Dividends paid to minority interests	**(2,021)**	(1,571)
	Net cash outflow	**(25,788)**	(30,426)
(b)	**Taxation**		
	UK corporation tax recovered/(paid)	**1,433**	(4,979)
	Overseas tax paid	**(280)**	(946)
	Net cash inflow/(outflow)	**1,153**	(5,925)
(c)	**Capital expenditure and financial investment**		
	Purchase of intangible fixed assets	**(9,914)**	(3,460)
	Purchase of tangible fixed assets	**(240,129)**	(51,619)
	Purchase of investments	**(4,133)**	(317)
	Repayment of joint venture loans	**506**	-
	Sale of tangible fixed assets	**48,430**	102,599
	Sale of intangible fixed assets	**3,319**	75
	Net cash (outflow)/inflow	**(201,921)**	47,278
(d)	**Acquisitions and disposals**		
	(Purchase)/sale of subsidiary undertaking	**(3,242)**	75,061
(e)	**Dividends paid**	**(17,929)**	(5,115)
(f)	**Management of liquid resources**		
	Purchase of current asset investments	**(1,997)**	-
(g)	**Financing**		
	Issue of ordinary shares	**-**	917
	Repayment of borrowings	**(18,105)**	(49,394)
	Capital element of finance lease and hire purchase rental payments	**(1,657)**	(2,889)
	New bank borrowings	**239,437**	1,300
	Loan notes repaid	**(268)**	(1,410)
	Net cash inflow/(outflow)	**219,407**	(51,476)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

23. Analysis of changes in net debt

	Start of year £'000	Cash flow £'000	Acquisitions and disposals £'000	Other non-cash changes £'000	End of year £'000
Cash at bank and in hand	1,373	783	-	-	2,156
Bank overdrafts	(155,900)	4,711	2,718	90,000	(58,471)
	(154,527)	5,494	2,718	90,000	(56,315)
Debt due after more than 1 year	(304,226)	(220,969)	-	(90,000)	(615,195)
Debt due within 1 year	(3,160)	(95)	-	-	(3,255)
Finance leases	(6,458)	1,657	-	(458)	(5,259)
Current asset investments	40	2,045	-	(20)	2,065
Net debt	**(468,331)**	**(211,868)**	**2,718**	**(478)**	**(677,959)**

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 £0.46m (2006 - £0.78m).

Included within bank overdraft is £nil (2006 - £90.0m) of revolving credit facility. During the current year £90.0m (2006 - £nil) was reclassified to debt due after more than one year.

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 2007 amounted to £290.93m (2006 - £208.63m).

(ii) The Group has made counter indemnities in favour of its bankers, Bank of Scotland, up to a sum of £1.87m (2006 - £2.99m) 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 £0.2m (2006 - £0.5m) would arise if certain conditions in transfer contracts are met.

(vi) During the prior year, the Group received a claim relating to the sale of Vida Sports Limited in November 2003. This claim was resolved by the Group post year end.

Financial commitments:

(a) Operating leases

The Group is committed to the following minimum annual rentals under operating leases:	**Group 2007 £'000**	Group 2006 £'000
Operating leases which expire:		
Property		
- within 1 year	**771**	502
- within 2-5 years	**1,071**	1,167
- after 5 years	**3,314**	3,630
	5,156	5,299
Other		
- within 1 year	**624**	373
- within 2-5 years	**1,049**	1,837
- after 5 years	**53**	49
	1,726	2,259

(b) Capital commitments

Contracted but not provided for	**41,406**	7,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2007 (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. 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 2006. 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 £22.8m and that the actuarial value of those assets, on a discounted income basis, represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Group and employees currently amount to 21% of earnings. The combined contribution rate was increased to this level from 15% in April 2007. 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 in the year to 31 January 2006 and £0.21m was paid in the year end 31 January 2007.

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 2007 were £1.71m (2006 - £1.95m).

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

(d) Additional FRS 17 pension disclosures

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

The actuarial valuation described above has been updated at 31 January 2007 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:

	2007	2006	2005
Assumptions	**%**	%	%
Rate of increase in salaries	**4.3**	4.0	4.0
Rate of increase in pensions in payment	**2.8**	2.5	2.5
Rate of revaluation of deferred pensions in excess of guaranteed minimum pension	**2.8**	2.5	2.5
Discount rate	**5.3**	4.6	5.2
Inflation assumption	**2.8**	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 2007 %	**Value 2007 £'000**	Long term rate of return expected 2006 %	Value 2006 £'000	Long term rate of return expected 2005 %	Value 2005 £0'000
Equities	**7.50**	**17,939**	7.50	12,419	7.50	8,315
Bonds	**5.25**	**5,659**	5.25	8,351	5.25	874
Other	**4.50**	**291**	4.50	642	4.50	597
Property	**7.50**	**182**	7.50	155	7.50	118
Total market value of assets		**24,071**		21,567		9,904
Present value of scheme's liabilities		**(26,279)**		(25,474)		(18,018)
Liability in scheme		**(2,208)**		(3,907)		(8,114)
Related deferred tax asset		**662**		1,171		2,434
Net pension liability		**(1,546)**		(2,736)		(5,680)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (continued)

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

(d) Additional FRS 17 pension disclosures (continued)

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

	2007	2006
	£'000	£'000
Gain on curtailment	**-**	1,283
Current service cost	**(780)**	(759)
	(780)	524

Analysis of the amount credited/(charged) to net finance income under FRS 17

	2007	2006
	£'000	£'000
Expected return on pension scheme assets	**1,453**	797
Interest on pension scheme liabilities	**(1,196)**	(952)
	257	(155)

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

	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	**(261)**	3,058
Experience gains and losses arising on the scheme liabilities	**(935)**	(1,001)
Changes in assumptions underlying the present value of the scheme liabilities	**2,366**	(5,648)
	1,170	(3,591)

Movement in deficit during the year	**£'000**	£'000
Deficit in scheme at 31 January 2006	**(3,907)**	(8,114)
Movement in the year:		
Gain on curtailment	**-**	1,283
Current service cost	**(780)**	(759)
Contributions	**1,052**	7,429
Net finance income/(expense)	**257**	(155)
Actuarial gain/(loss)	**1,170**	(3,591)
Deficit in scheme at 31 January 2007	**(2,208)**	(3,907)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007 (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 2007**	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)	**(261)**	3,058	271	791	(2,400)
Percentage of scheme assets	**(1.1%)**	14.2%	2.7%	9.6%	38.4%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	**(935)**	(1,001)	(264)	(233)	75
Percentage of the present value of scheme liabilities	**3.6%**	3.9%	1.5%	1.7%	0.6%
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses:					
Amount (£'000)	**1,170**	(3,591)	(2,327)	1,118	(3,083)
Percentage of the present value of scheme liabilities	**4.5%**	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 2007 the Group had forward currency contracts in respect of US $9.80m and EUR 2.66m (2006 – US $5.84m and EUR 0.83m). The fair value of the forward currency contracts at 31 January 2007 was £0.07m (2006 – £0.02m). The total debt subject to interest rate derivative instruments at 31 January 2007 amounts to £177.00m (2006 – £135.00m) with the fair value of these instruments amounting to an asset of £0.42m (2006 – liability of £0.43m).

25. Subsequent events

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

(a) The disposal of investment and development properties for a total cash consideration of £64.0m.
(b) The acquisition of investment properties for a total cash consideration of £32.4m.
(c) Acquisition of Newton Steel Stocks Limited for a total cash consideration of £25.9m.

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.

During the year the Group made sales of £5.26m (2006 - £3.51m) to Alexander Dennis Limited during the course of normal business trading activities. The Group holds 29.4% of the share capital of Alexander Dennis Limited. At the year end the total amount due from Alexander Dennis Limited was £0.75m (2006 - £1.33m).

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 received repayment of loans from joint ventures of £0.1m (2006 - made loans amounting to £0.47m). The balance due from joint ventures at 31 January 2007 is £4.49m (2006 - £4.59m);

(b) The Group repaid loans from joint ventures of £nil (2006 - £2.50m). The balance due to joint ventures at 31 January 2007 is £nil (2006 - £nil);

(c) The Group paid and received interest at commercial rates on loans to and from joint ventures. Interest receivable was £0.3m (2006 - £0.28m) and interest payable was £nil (2006 - £0.08m). At 31 January 2007 interest due from joint ventures was £0.1m (2006 - £0.11m) and interest due to joint ventures was £nil (2006-£nil); and

(d) The Group charged fees to joint ventures of £0.3m (2006 - £0.46m) with a balance due at 31 January 2007 of £0.15m (2006 - £0.40m).

27. Controlling party

Sir David 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.

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