MURRAY

MURRAY INTERNATIONAL HOLDINGS LIMITED

REPORT AND ACCOUNTS 2001

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 24 July 2001 at 11.00am to transact the following business:-

1 To receive and consider the accounts for the year ended 31 January 2001 together with the reports of the directors and auditors thereon.

2 To reappoint Arthur Andersen as auditors for the ensuing year and to authorise the directors to fix their remuneration.

By Order of the Board
S.Tahir, Secretary, 20 June 2001
Registered Office: 9 Charlotte Square,
Edinburgh EH2 4DR
Registration number: 192523

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

DIRECTORS AND PRINCIPAL ADVISERS

DIRECTORS	D.E.Murray (Chairman) J.D.G.Wilson, B.ACC., C.A. I.B.Tudhope, LL.B. K.A. Cockburn J.MacDonald, C.A. Sir Angus Grossart, C.B.E., LL.D., D.L. H.Rose, F.C.C.A., A.T.I.I.
SECRETARY	S.Tahir, B.A., LL.B.
REGISTERED OFFICE	9 Charlotte Square, Edinburgh EH2 4DR
AUDITORS	Arthur Andersen, Chartered Accountants, 18 Charlotte Square, Edinburgh EH2 4DF
BANKERS	Bank of Scotland, The Mound, Edinburgh EH1 1YZ
MERCHANT BANKERS	Noble Grossart Limited, 48 Queen Street, Edinburgh EH2 3NR
SOLICITORS	Dundas & Wilson, C.S., Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN

CHAIRMAN'S STATEMENT

In my Statement last year I concluded that we had emerged from a period of significant change and were well placed for solid growth from all our operating divisions. I am pleased to report that the financial year ended 31 January 2001 was indeed a successful period for the Group. Not only were we able to build on the solid foundations which had been laid but we were also able to venture into new areas of opportunity.

Turnover from continuing operations rose by 12% to £143 million, with profit on ordinary activities before interest rising by 46% to £11 million. There was an increase of £2 million in interest costs from the previous year, mainly due to the investment activities of our property division and a residual investment in Rangers Football Club. The resulting profit on ordinary activities before tax rose by 14% to £3.7 million.

Our **metals** division encountered a slow start to the year in its oil and gas related businesses but a strong finish resulted in an increase of 16% in turnover from continuing operations to £100million. There were good performances from all our overseas locations with our office in Houston performing particularly well. Although sales to UK oil and gas fabricators are still down due to lack of project activity, success in other markets should ensure that our trend of increasing business will continue.

We have invested heavily during the year to upgrade equipment and capacity. In April 2000, Murray International Metals opened a purpose built facility at Jebel Ali in the Middle East, significantly increasing our ability to service the region. In November, Premier Alloys built an extension to their machine shop and increased their sawing and machine tool capacity.

After several difficult years in the general steels market, I am pleased to report that Austin Trumanns Steel has emerged with a return to operating profit and is now poised to develop the business further during the year to 31st January 2002. Its sister company, Austin Trumanns Ireland had a satisfying first year, operating from its purpose built premises at Newry and has been quickly recognised as a main player in the Irish market. I pay tribute to the management team at Austin Trumanns for their continued hard work and commitment to this business under difficult conditions.

I anticipate further progress from the metals division over the next few years as we consolidate across the board and continue to seek opportunities for growth, which are already materialising, in other steel related markets.

Our **property** division has enjoyed another successful year, building on earlier performance and capitalising on good market conditions. As a result, PPG again made a significant contribution to Group profits and recorded a further improvement in net assets.

PPG has made great progress towards its objective of balancing development and investment activities, a feature to which I referred last year. In the latter category, the £70 million acquisition of the Scottish segment of the former P&O portfolio has already proved to be a sound move, offering steady income as well as the prospect of future value enhancement. Subsequent to the year-end, PPG acquired, for £37million, the Kingsgate Centre in Dunfermline, a 40–unit mall which will broaden our investment base and add retail presence to our existing representation in the office and industrial sectors.

Our development programme has also maintained momentum, with completions recently achieved in new and refurbishment projects in Edinburgh and London. Shortly after the year-end, redevelopment of the former Murray Group head office at South Gyle was also completed. New projects under construction include a major joint venture which will create a high specification office and cinema complex in central Edinburgh, as well as a series of bespoke industrial and distribution units in Yorkshire.

I am delighted to say that PPG's Leeds office, opened two years ago, has already established itself in the marketplace, while the main operation in Edinburgh's West End continues to flourish.

Collectively, transactions currently under management, coupled with our existing investments, carry a total value approaching £200 million.

Our **mining** division, GM Mining, had another excellent year. Turnover rose to almost £16million and there was a corresponding increase in operating profit. During the year we secured an additional one million tonnes of coal reserves at Boglea in North Lanarkshire and Easter Balbeggie in Fife to add to our existing overall reserves. As a result of this, and in order to maximise the efficiency of our new multi-site workings, we invested a further £2.5 million in plant and equipment. The worldwide price of coal remains firm and we are working hard to conclude new long-term supply contracts with our key customers. This background, coupled with our additional reserves and modern, efficient plant, ensures our ongoing confidence in this division.

The **Carnegie Group** continues to perform well, aided by further substantial increases in turnover and profits from Response Handling, our internet enabled contact centre. This business continues to develop its blue-chip customer base and has recently secured additional premises to accommodate further expansion.

I referred last year to Carnegie Information Systems and I am pleased to report that CIS has made excellent progress during its first year, developing technology-based solutions for the sports and leisure industries. In particular, our on-line ticketing and stadium access products are now market leaders, stimulating demand from other sporting organisations.

Subsequent to the year-end, we have established Vida Sports, a business which will operate and manage 5-a-side football centres throughout the UK.

I mentioned in last year's Statement the creation of **Charlotte Ventures**, our new vehicle through which we provide management support services for Group companies, transaction advice and the development of a carefully selected private investment portfolio.

In the areas of transaction advice and investment, Charlotte Ventures project managed a range of deals with a combined value in excess of £70million and completed two strategic investments over the course of the year. In June 2000, the company acquired 35% of First Scottish Group, a legal support services operation and later in the year, Azure Support Services, a contract and hospitality event catering company, was established in conjunction with a new management team.

Charlotte Ventures continues to look at new investment opportunities, particularly where there is the ability to develop a partnership with an existing or new operational management team.

In overall terms, I am very pleased with progress made during the year. The new executive management team, which I referred to last year, has formed a close and effective working relationship. We have developed a focussed, medium-term, business development plan, which looks for controlled growth from our core of steel, property and mining but also recognises the potential of our many other investments.

I am therefore confident about our future prospects, reflecting my belief that we enjoy an effective balance between our trading and investment activities and where the long-term investment view will always be given priority over short-term gains. I have no doubt that this will stand us in good stead as market conditions fluctuate and new opportunities arise in the future.

As ever, I thank all those associated with our success for their continuing support and, in particular, Bank of Scotland, our equity and principal funding partner who supported a number of key projects during the year.

David E Murray
20 June 2001

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2001

The directors have pleasure in submitting their report on the affairs of the Group, together with the accounts and auditors' report for the year ended 31 January 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal trading divisions of the Group comprise metals, property, mining, catering services and marketing. The Chairman's Statement on pages 4 and 5 incorporates a review of the business.

RESULTS AND DIVIDENDS

Details of the results for the year are contained in the consolidated profit and loss account on page 9. Further information in respect of dividends paid and payable by the Company is set out in Note 7.

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 2001	31 January 2000
D.E. Murray	12,008,529	12,008,529
J. MacDonald	164,675	242,679
I.B. Tudhope	62,834	62,500
J.D.G. Wilson	62,834	62,500
K.A. Cockburn	Nil	Nil
Sir Angus Grossart	Nil	Nil
H. Rose	Nil	Nil

Subsequent to 31 January 2001 J.MacDonald disposed of 78,004 shares.

ACQUISITION OF THE COMPANY'S OWN SHARES

Further to the shareholders' resolution on 25 January 2001, the Company purchased 68,482 ordinary shares with a nominal value of £6,848, and representing 0.46% of the Company's called-up ordinary share capital, for £790,282.

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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

AUDITORS

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By Order of the Board

S.Tahir
Secretary

9 Charlotte Square,
Edinburgh,
EH2 4DR

20 June 2001

AUDITORS' REPORT

ARTHUR ANDERSEN

To the Shareholders of MURRAY INTERNATIONAL HOLDINGS LIMITED:

We have audited the accounts on pages 9 to 31 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 13 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 7, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statue, the Auditing Practices Board and our profession's ethical guidance.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 January 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR ANDERSEN
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

18 Charlotte Square
Edinburgh
EH2 4DF

20 June 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2001

	NOTE	**2001 £'000**	**2001 £'000**	2000 £'000	2000 £'000
TURNOVER					
Continuing operations			**143,432**		128,373
Discontinued operations			**7,319**		20,378
	2		**150,751**		148,751
Cost of sales	3(a)		**(113,376)**		(116,936)
GROSS PROFIT			**37,375**		31,815
Other operating expenses (net)	3(b)		**(28,008)**		(25,271)
OPERATING PROFIT (LOSS)					
Continuing operations		**9,178**		6,928	
Discontinued operations		**189**		(384)	
			9,367		6,544
Share of associates' and joint ventures' operating profit			**1,064**		-
Exceptional items	4(a)		**549**		993
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			**10,980**		7,537
Investment income	4(b)		**214**		902
Interest payable and similar charges	4(c)		**(7,525)**		(5,225)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**3,669**		3,214
Tax on profit on ordinary activities	6		**(915)**		(2,213)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**2,754**		1,001
Minority interests	20		**(1,328)**		(655)
PROFIT FOR THE FINANCIAL YEAR			**1,426**		346
Dividends paid and proposed	7		**(1,125)**		(1,125)
PROFIT(LOSS) TRANSFERRED TO RESERVES			**301**		(779)

Historical cost profit on ordinary activities before taxation equates to the reported profit on ordinary activities before taxation.
A statement of movements in reserves is provided in Note 18.
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 2001

	2001	2000
	£'000	£'000
Profit for the financial year	**1,426**	346
Currency translation adjustments	**272**	42
Unrealised surplus on revaluation of associate's property	**27**	-
Total recognised gains and losses	**1,725**	388

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

BALANCE SHEETS
AS AT 31 JANUARY 2001

		Group		Company	
		2001	2000	**2001**	2000
	NOTE	**£'000**	£'000	**£'000**	£'000
FIXED ASSETS					
Tangible assets	8	**138,562**	53,721	**-**	-
Intangible assets	9	**953**	546	**-**	-
Investments	10	**11,110**	3,710	**1,485**	1,485
		150,625	57,977	**1,485**	1,485
CURRENT ASSETS					
Stocks	11	**25,500**	29,421	**-**	-
Debtors: Amounts falling due within one year	12	**39,523**	31,405	**869**	836
Debtors: Amounts falling due after more than one year	12	**61,118**	60,690	**-**	-
Investments	13	**88**	133	**-**	-
Cash at bank and in hand		**2,795**	10,171	**18,782**	19,807
		129,024	131,820	**19,651**	20,643
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	**(87,411)**	(66,966)	**(1,125)**	(1,125)
NET CURRENT ASSETS		**41,613**	64,854	**18,526**	19,518
TOTAL ASSETS LESS CURRENT LIABILITIES		**192,238**	122,831	**20,011**	21,003
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	**(99,129)**	(30,707)	**-**	-
PROVISIONS FOR LIABILITIES AND CHARGES	16	**(957)**	(1,103)	**-**	-
NET ASSETS		**92,152**	91,021	**20,011**	21,003
CAPITAL AND RESERVES					
Called-up share capital	17	**16,478**	16,485	**16,478**	16,485
Consolidation reserve	18	**5,032**	5,032	**-**	-
Revaluation reserve	18	**596**	570	**-**	-
Share premium account	18	**19,868**	19,868	**-**	-
Capital redemption reserve	18	**15,008**	15,001	**7**	-
Profit and loss account	18	**29,306**	29,446	**3,526**	4,518
Translation reserve	18	**172**	(100)	**-**	-
SHAREHOLDERS' FUNDS, including non-equity interests	19	**86,460**	86,302	**20,011**	21,003
MINORITY INTERESTS	20	**5,692**	4,719	**-**	-
TOTAL CAPITAL EMPLOYED		**92,152**	91,021	**20,011**	21,003

Signed on behalf of the Board on 20 June 2001

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2001

	NOTE	**2001** £'000	2000 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		**20,319**	27,288
Dividends from associates and joint ventures		**801**	-
Returns on investments and servicing of finance	21(a)	**(7,101)**	(4,784)
Taxation	21(b)	**643**	(2,674)
Capital expenditure and financial investment	21(c)	**(93,828)**	(12,596)
Acquisitions and disposals	21(d)	**3,732**	13,352
Equity dividends paid		**-**	(1,212)
Cash (outflow) inflow before financing		**(75,434)**	19,374
Financing	21(e)	**71,900**	(11,274)
(Decrease) increase in cash during the year		**(3,534)**	8,100

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2001 £'000	2000 £'000
Operating profit	**9,367**	6,544
Depreciation charges	**4,406**	4,421
Original cost of freehold, development and investment property disposals	**4,000**	14,317
Amortisation of intangible assets	**133**	96
(Profit) loss on sale of tangible assets	**(258)**	124
Write down in value of investments	**-**	31
Decrease in stocks	**369**	9,649
(Increase) decrease in debtors	**(12,396)**	5,209
Decrease (increase) in current asset investments	**45**	(51)
Increase (decrease) in creditors	**14,032**	(10,685)
Release of dilapidations provision	**-**	(3,531)
(Decrease) increase in land restoration provision	**(36)**	315
Write back of goodwill on disposal of properties	**347**	961
Other reserve movements	**310**	(112)
Net cash inflow from operating activities	**20,319**	27,288

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 22)

	2001 £'000	2000 £'000
(Decrease) increase in cash in the year	**(3,534)**	8,100
Cash (inflow) outflow from increase in debt and lease financing	**(72,638)**	11,247
Change in net debt resulting from cash flows	**(76,172)**	19,347
New finance leases	**(7,229)**	(5,051)
(Decrease) increase in current asset investments	**(45)**	51
Debt disposed of with sale of subsidiary undertaking	**251**	316
Movement in net debt in the year	**(83,195)**	14,663
Net debt at beginning of year	**(42,439)**	(57,102)
Net debt at end of year	**(125,634)**	(42,439)

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001

1. Accounting policies

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

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

(b) Basis of consolidation: The consolidated accounts include the accounts of the Company and all of its subsidiary undertakings made up to 31 January 2001. 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. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given is shown as negative goodwill under intangible fixed assets and amortised on the same basis as positive goodwill. Goodwill arising on certain acquisitions in the year ended 31 January 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet.

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

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

As provided for in Section 230 of the Companies Act 1985, no profit and loss account is presented for the Company. Within the consolidated profit for the financial year attributable to the shareholders of the Company a loss of £202,000 (2000 - profit of £4,518,000) has been dealt with in the accounts of the Company.

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

(d) Tangible fixed assets: Development properties are those properties in respect of which construction and development have not been completed at the balance sheet date, and are reflected at cost, including an allocation of overheads and interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. Interest is capitalised from the point at which development sites or properties are acquired, except where there is a substantial delay between acquisition and commencement of physical construction, when capitalisation will commence at the latter point. Profit is accrued on a conservative basis as developments proceed where the realisation of profit 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 when the directors consider book value to exceed recoverable value. The directors consider that these policies are necessary to provide a true and fair value. Development properties are classified within tangible fixed assets or stocks according to their likely date of realisation. The proceeds and costs on disposal of such properties are reflected in turnover and cost of sales respectively.

In accordance with SSAP 19, investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, unless a deficit (or its reversal) is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, in which case it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy (which represents a departure from the statutory accounting rules) is necessary to provide a true and fair value.

The group has taken advantage of the transitional provisions of FRS15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to the implementation of that standard. No depreciation is provided on certain freehold properties which have a useful economic life exceeding 100 years. It is the group's policy to maintain the properties in such a condition that the value of the properties is not impaired by the passage of time. As a consequence, any element of depreciation would, in the opinion of the directors, be immaterial. Provision is made for any impairment.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

1. Accounting policies (continued)

(d) Tangible fixed assets: (continued)

Other fixed assets are shown at cost, net of depreciation and provisions for impairment, as set out in Note 8. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Leasehold properties	Over period of lease
Plant and equipment	5-10 years
Fixtures and fittings	4-10 years
Motor vehicles	3-5 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.

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

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

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

(h) Current asset investments: Listed investments are carried at the lower of cost or market value at the balance sheet date. Other investments are carried at the lower of cost or net realisable value.

(i) Taxation: Current tax, representing UK corporation tax and overseas tax, is provided at amounts expected to paid (or recovered) using the tax rates and laws that have been exacted or substantially exacted 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 provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced. The amount of all deferred tax, including that which will probably not reverse, is set out in Note 16.

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

1. Accounting policies (continued)

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

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

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

Further information on pension costs is provided in Note 23.

(l) Turnover: Group turnover is stated net of VAT and similar taxes, trade discounts and intra-Group transactions and includes the value of sales of goods and services supplied in the normal course of business.

(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 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 23.

(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 18. 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.

(o) Long term contracts: Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of work done less amounts received as progress payments on account.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

2. Segment information

Contributions to Group turnover are as follows:

	2001 Continuing £'000	**2001 Discontinued £'000**	**2001 Total £'000**	2000 Continuing £'000	2000 Discontinued £'000	2000 Total £'000
By Activity:						
Metals	**99,501**	**7,319**	**106,820**	86,107	20,378	106,485
Mining	**15,645**	**-**	**15,645**	13,966	-	13,966
Marketing	**12,335**	**-**	**12,335**	8,558	-	8,558
Property	**13,102**	**-**	**13,102**	19,481	-	19,481
Catering Services	**2,338**	**-**	**2,338**	-	-	-
Other	**511**	**-**	**511**	261	-	261
	143,432	**7,319**	**150,751**	128,373	20,378	148,751
By geographical area:						
United Kingdom	**117,534**	**7,319**	**124,853**	106,403	20,378	126,781
Outwith the United Kingdom	**25,898**	**-**	**25,898**	21,970	-	21,970
	143,432	**7,319**	**150,751**	128,373	20,378	148,751

Group turnover may be analysed as follows:

	2001 £'000	2000 £'000
Group and share of joint ventures	**159,836**	148,751
Less share of joint ventures	**(9,085)**	-
Group turnover	**150,751**	148,751

The analysis of profit on ordinary activities before taxation and the analysis of net assets have been omitted.

3. Operating profit

Operating profit is stated after charging (crediting) the following:

	2001 Continuing £'000	**2001 Discontinued £'000**	**2001 Total £'000**	2000 Continuing £'000	2000 Discontinued £'000	2000 Total £'000
(a) Cost of sales	**107,440**	**5,936**	**113,376**	99,323	17,613	116,936
(b) Other operating expenses (net)						
Distribution costs	**9,970**	**746**	**10,716**	8,727	2,056	10,783
Administrative expenses	**16,844**	**448**	**17,292**	13,511	1,093	14,604
Other operating income	**-**	**-**	**-**	(116)	-	(116)
	26,814	**1,194**	**28,008**	22,122	3,149	25,271

(c) Miscellaneous

	2001 £'000	2000 £'000
Depreciation and amounts written off tangible fixed assets		
- owned assets	**1,809**	1,622
- held under finance leases and hire purchase contracts	**2,597**	2,799
Amortisation of goodwill and other intangible fixed assets	**133**	96
Goodwill reversal on disposal of properties	**347**	961
Operating lease rentals		
- property	**726**	1,099
- other	**834**	760
Auditors' remuneration		
- audit services	**146**	143
- non-audit services	**24**	21
(Profit) loss on sale of tangible fixed assets	**(258)**	124

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

4. Profit on ordinary activities before taxation

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

	2001 £'000	2000 £'000
(a) Exceptional items	**549**	993

The exceptional items in the year ended 31 January 2001 include the profit on the sale of the Group's interest in Atlantic PR Limited of £92,000 and the profit on the sale of the Group's interest in Multi Metals Limited of £454,000 (Note 10). In addition, net gains of £219,000 arose on the disposal of tangible fixed assets and costs of £216,000 were incurred as a result of the restructuring of Austin Trumanns Steel Limited.

The exceptional items in the year ended 31 January 2000 include the profit on sale of the Group's majority interest in Pacific Retail Group Limited and subsidiaries of £1,386,000. In addition, costs of £393,000 were incurred on the termination of the strip products business of Austin Trumanns Steel Limited.

The exceptional items had no impact on the amounts charged to tax and minority interests (2000 - £Nil).

	2001 £'000	2000 £'000
(b) Investment income		
Income from fixed asset investments	**44**	483
Interest receivable and similar income	**170**	419
	214	902
(c) Interest payable and similar charges		
Bank loans and overdrafts	**6,861**	4,487
Finance leases and hire purchase contracts	**1,146**	889
Other loans	**298**	45
	8,305	5,421
Interest capitalised on development properties	**(780)**	(196)
	7,525	5,225

Interest capitalised is based on normal commercial rates.

5. Staff costs

	2001 £'000	2000 £'000
Employee costs during the year amounted to:		
Wages and salaries	**16,637**	14,480
Social security costs	**1,494**	1,326
Other pension costs	**1,032**	828
	19,163	16,634

	2001 Number	2000 Number
The average monthly number of employees during the year, including executive directors, was as follows:		
Production and sales	**1,140**	489
Administration	**216**	214
	1,356	703

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

5. Staff costs (continued)

Directors' remuneration during the year amounted to:

	2001 **£'000**	2000 £'000
Fees	**96**	64
Emoluments	**1,464**	1,557
Contributions to money purchase pension schemes	**362**	290
	1,922	1,911

The directors' remuneration shown above included the following in respect of the highest paid director:	**2001** **£'000**	2000 £'000
Emoluments	**647**	724
Contributions to money purchase pensions schemes	**111**	77
	758	801

The number of directors who were members of pension schemes was as follows:	**2001** **Number**	2000 Number
Money purchase schemes	**5**	5

6. Tax on profit on ordinary activities

The tax charge (credit) is based on the profit for the year and comprises:	**2001** **£'000**	2000 £'000
UK corporation tax	**740**	1,790
Overseas taxation	**271**	22
Deferred taxation	**(110)**	203
Share of associates' and joint ventures' taxation	**342**	-
Unrelieved ACT written off	**39**	-
	1,282	2,015
Adjustment of current taxation in respect of prior years	**(367)**	198
	915	2,213

7. Dividends paid and proposed

	2001 **£'000**	2000 £'000
Non-equity shares:		
Interim dividend proposed of 7.5p (2000 - 7.5p) per share	**1,125**	1,125
	1,125	1,125

No final dividend is proposed in respect of the year (2000 – £Nil).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

8. Tangible fixed assets

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

	2001 £'000	2000 £'000
Group		
Land and buildings		
Freehold	**14,957**	15,818
Leasehold	**1,086**	152
Development properties	**20,819**	11,942
Investment properties	**79,552**	3,382
Plant, equipment and vehicles	**22,148**	22,427
	138,562	53,721

The movement in the year was as follows:

	Land and buildings				Plant	
	Freehold £'000	**Leasehold £'000**	**Development properties £'000**	**Investment properties £'000**	**equipment & vehicles £'000**	**Total £'000**
Group						
Cost or valuation:						
At 31 January 2000	16,649	227	11,942	3,382	35,476	67,676
Additions	1,486	1,088	11,538	75,570	7,544	97,226
Transfers	-	-	(1,538)	1,538	-	-
Disposals	(2,174)	(95)	(1,123)	(938)	(6,280)	(10,610)
Exchange adjustments	27	-	-	-	86	113
At 31 January 2001	**15,988**	**1,220**	**20,819**	**79,552**	**36,826**	**154,405**
Depreciation:						
At 31 January 2000	831	75	-	-	13,049	13,955
Charge for the year:						
- owned assets	248	93	-	-	1,468	1,809
- HP/leased assets	-	-	-	-	2,597	2,597
Disposals	(55)	(34)	-	-	(2,480)	(2,569)
Exchange adjustments	7	-	-	-	44	51
At 31 January 2001	**1,031**	**134**	**-**	**-**	**14,678**	**15,843**
Net book value at 31 January 2001	**14,957**	**1,086**	**20,819**	**79,552**	**22,148**	**138,562**
Net book value at 31 January 2000	15,818	152	11,942	3,382	22,427	53,721
Leased assets included in the above:						
Net book value at 31 January 2001	**-**	**-**	**-**	**-**	**16,298**	**16,298**
Net book value at 31 January 2000	-	-	-	-	12,411	12,411

Leasehold land and buildings are shown at cost. The net book value of leasehold interests consists wholly of short leases.

Investment properties, which are all freehold, were valued on an open market existing use basis, by the directors as at 31 January 2001. In accordance with SSAP19, the investment properties are not depreciated.

Cumulative interest capitalised included in the cost of the development properties amounts to £1,072,000 (2000 - £292,000).

During the year the directors extended the useful economic lives of the plant and equipment used in the Group's mining operations. As a result the depreciation charge for the year has been reduced by £756,000.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

8. Tangible fixed assets (continued)

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

	2001		2000	
	Land and buildings £'000	**Plant equipment and vehicles £'000**	Land and buildings £'000	Plant equipment and vehicles £'000
Professionally valued	**79,492**	**-**	10,218	-
At cost	**38,087**	**36,826**	21,982	35,476
Cost or valuation at 31 January	**117,579**	**36,826**	32,200	35,476

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

9. Intangible fixed assets

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

	Group 2001 £'000	Group 2000 £'000
Consolidation goodwill	**583**	546
Other intangible fixed assets	**370**	-
	953	546

The movement in the year was as follows:

	Other intangible fixed assets £'000	**Consolidation goodwill £'000**	**Total £'000**
Cost:			
At 31 January 2000	-	4,117	4,117
Additions	400	140	540
At 31 January 2001	**400**	**4,257**	**4,657**
Amortisation:			
At 31 January 2000	-	3,571	3,571
Charge for the year	30	103	133
At 31 January 2001	**30**	**3,674**	**3,704**
Net book value at 31 January 2001	**370**	**583**	**953**
Net book value at 31 January 2000	-	546	546

Other intangible fixed assets represent licence rights and site development costs.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

10. Fixed asset investments

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

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Subsidiary undertakings	**-**	-	**1,485**	1,485
Associated undertakings and joint ventures	**1,171**	2,973	**-**	-
Other investments	**9,939**	737	**-**	-
	11,110	3,710	**1,485**	1,485

The movement in the year was as follows:

	Group	Group	Company
	Associated undertakings and joint ventures	Other investments	Subsidiary undertakings
	£'000	£'000	£'000
Cost:			
At 31 January 2000	2,973	798	1,485
Additions	250	9,314	-
Disposals	-	(173)	-
Repayment of loans	(2,000)	-	-
Share of retained loss for the year	(79)	-	-
Share of revaluation reserve	27	-	-
At 31 January 2001	**1,171**	**9,939**	**1,485**
Amounts written off:			
At 31 January 2000	-	61	-
Disposals	-	(61)	-
At 31 January 2001	**-**	**-**	**-**
Net book value at 31 January 2001	**1,171**	**9,939**	**1,485**
Net book value at 31 January 2000	2,973	737	1,485

Subsidiary undertakings:

The principal trading subsidiary undertakings of the Company at 31 January 2001 were as follows:

	Country of incorporation	Principal activity	Percentage control by Group at 31 January 2001
Murray Group Management Limited	United Kingdom	Management services	100
Murray International Metals Limited	United Kingdom	Steel stockholding and trading	90
Austin Trumanns Steel Limited	United Kingdom	Steel stockholding and trading	100
Austin Trumanns Ireland Limited	United Kingdom	Steel stockholding and trading	100
Premier Alloys Limited	United Kingdom	Metal stockholding and trading	90
Northern Steel Stocks Limited	United Kingdom	Steel trading	100
Forth Steel Limited	United Kingdom	Metal processing	93
Carnegie Group Limited	United Kingdom	Sports marketing and hospitality	100
Response Handling Limited	United Kingdom	Direct marketing	95
Carnegie Sports International (NZ) Limited	New Zealand	Sports marketing and management	85
G M Mining Limited	United Kingdom	Open cast mining	57.5
The Premier Property Group Limited	United Kingdom	Property development and investment	100
Charlotte Ventures Limited	United Kingdom	Corporate finance services	100
Carnegie Information Systems Limited	United Kingdom	IT consultancy and related services	95
PPG Metro Limited	United Kingdom	Property development and investment	52.5
Azure Support Services Limited	United Kingdom	Catering services	80

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

10. Fixed asset investments (continued)

Purchase of subsidiary undertaking:

Additional consideration of £140,000 was paid during the year in respect of the acquisition of a subsidiary undertaking, which took place during the previous year. Goodwill of £140,000 arose in respect of this additional payment.

Sale of subsidiary undertakings:

On 25 May 2000 the Group sold the majority of its 85% interest in Atlantic PR Limited (formerly Carnegie PR Limited). The profit of Atlantic PR Limited up to the date of disposal was £Nil and for its last financial year was a loss of £14,000. On 6 September 2000 the Group sold its 87.5% interest in Multi Metals Limited. The profit of Multi Metals Limited up to the date of disposal was £51,000 and for its last financial year was £119,000. The net assets disposed of and the related proceeds for each disposal were as follows:

	Multi Metals Limited £'000	Atlantic PR Limited £'000
Tangible assets	423	27
Current assets	6,083	225
Creditors due within one year	(6,325)	(166)
Creditors due after more than one year	(128)	-
Net assets disposed of	53	86
Minority interests disposed of	(7)	(13)
Goodwill on acquisition	1	-
Gain on sale	455	92
Sale proceeds	502	165
Satisfied by:		
Cash	355	9
Loan notes	147	141
Shares	-	15
	502	165
Net cash inflows in respect of the sales were:		
Cash consideration	355	9
Bank overdrafts sold	3,659	67
Cash at bank and in hand sold	(1)	(1)
	4,013	75

Associated undertakings and joint ventures:

The associated undertakings and joint ventures of the Group at 31 January 2001 were as follows:	Percentage of ordinary shares held at 31 January 2001
Redcam Limited	35
Kilmartin PPG (Strand) Limited	50
Haymarket Court Limited	50
Haymarket Yards Limited	50
Take Two Developments Limited	50

The Group acquired its interest in Redcam Limited for a total consideration of £50,000. Goodwill of £50,000 arose on this acquisition. The principal activity of Redcam Limited is the provision of services to the legal profession. Included within the investment in this company is a loan of £200,000 (2000 - £Nil).

The principal activity of Kilmartin PPG (Strand) Limited, Haymarket Court Limited, Haymarket Yards Limited and Take Two Developments Limited is property development. Included within the Group's investment in these companies are loans of £462,000 (2000 - £2,462,000) and goodwill of £480,000 (2000 - £480,000). Goodwill in respect of such project specific joint ventures is not amortised, but is subject to annual impairment reviews.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

10. Fixed asset investments (continued)

The following information is given in respect of the Group's share of all joint ventures:	**2001 £'000**	2000 £'000
Gross assets	1,607	5,493
Gross liabilities	(1,598)	(4,993)

Other investments:

Included in other investments is a debenture with a par value of $1,000,000. The debenture matures on 30 June 2022 on which date it will be redeemed and carries a normal annual credit of $120,000, which is restricted to $20,000 until 31 December 2005.

Other investments also includes 1,424,947 10p ordinary shares in Murray Sports Limited, representing 7.2% of the issued share capital of that company. These shares were acquired on 31 March 2000 for a total consideration of £9,299,320. Murray Sports Limited is a related party by virtue of common control.

11. Stocks

	Group 2001 £'000	Group 2000 £'000
Goods for resale	**24,120**	28,305
Raw materials	**1,057**	942
Work in progress	**323**	174
	25,500	29,421

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

12. Debtors

Amounts falling due within one year:	**Group 2001 £'000**	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
Trade debtors	**31,052**	23,250	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**537**	584
Amounts owed by associated undertakings	**356**	-	**-**	-
Amounts owed by related parties	**1,738**	937	**-**	-
UK corporation tax recoverable	**3**	683	**-**	84
UK income tax recoverable	**1**	1	**-**	-
VAT recoverable	**164**	308	**-**	-
Overseas tax recoverable	**130**	399	**-**	-
Other debtors	**2,205**	2,732	**102**	-
Amounts recoverable on contracts	**1,257**	-	**-**	-
Prepayments and accrued income	**2,617**	3,095	**230**	168
	39,523	31,405	**869**	836
Amounts falling due after more than one year:				
Loan notes	**60,603**	60,000	**-**	-
ACT recoverable	**-**	402	**-**	-
Other debtors	**324**	65	**-**	-
Prepayments and accrued income	**191**	223	**-**	-
	61,118	60,690	**-**	-
	100,641	92,095	**869**	836

The loan notes were issued by Murray Sports Limited, a related party. The loan notes are due for payment in the event of a sale of all or substantially all of the shares, assets or businesses of RFC Investment Holdings Limited and/or subsidiaries. Interest is payable at Bank of Scotland Base Rate plus 1%, only in the event that Murray Sports Limited has sufficient accumulated distributable profits.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

13. Current asset investments

	Group 2001 £'000	Group 2000 £'000
Shares listed on UK stock exchange	**22**	67
Other current asset investments	**66**	66
	88	133

The market value of listed investments of the Group at 31 January 2001 was £22,000 (2000 - £67,000).

14. Creditors: Amounts falling due within one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Bank loans and overdrafts (secured)	**24,642**	16,758	**-**	-
Trade creditors	**33,395**	24,177	**-**	-
Finance lease and hire purchase obligations	**4,676**	3,747	**-**	-
Other loans at varying commercial rates	**-**	1,446	**-**	-
Loan notes	**70**	85	**-**	-
Amounts owed to related parties	**513**	-	**-**	-
UK corporation tax payable	**478**	459	**-**	-
Overseas tax payable	**141**	218	**-**	-
Other taxes and social security	**891**	296	**-**	-
VAT payable	**1,344**	-	**-**	-
Other creditors	**1,110**	696	**-**	-
Accruals and deferred income	**9,651**	9,039	**-**	-
Dividends payable				
- equity shareholders	**7,875**	7,875	**-**	-
- non-equity shareholders	**2,625**	2,170	**1,125**	1,125
	87,411	66,966	**1,125**	1,125

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

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

	Group 2001 £'000	Group 2000 £'000
Finance lease and hire purchase obligations	**9,476**	7,610
Bank loans	**87,663**	20,897
Loan notes	**1,990**	2,200
	99,129	30,707

Loan notes of £1,700,000 are repayable at par on 31 January 2004 and bear interest at 1% above Bank of Scotland base rate per annum. The remaining loan notes are repayable at par no later than 31 December 2006 and bear interest at Bank of Scotland base rate.

Repayments on total borrowings are due as follows:		
On demand or within 1 year	**29,388**	22,036
Between 1 and 2 years	**4,482**	3,633
Between 2 and 5 years	**73,847**	6,274
After 5 years	**20,800**	20,800
	128,517	52,743

Repayments on borrowings due after 5 years comprise bank loans of £20,800,000 (2000 - £20,800,000).

16. Provisions for liabilities and charges

	Group 2001 £'000	Group 2000 £'000
Provisions comprise:		
Deferred taxation	**257**	367
Other provisions	**700**	736
	957	1,103

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 (asset) will be realised.

Other provisions relate to land restoration for open cast mining. It is expected that this expenditure will be incurred within approximately 7 years.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

16. Provisions for liabilities and charges (continued)

The movement on provisions during the year comprises:

	Deferred taxation		Other provisions	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Beginning of year	**367**	(531)	**736**	421
Charged (credited) to profit and loss account	**(110)**	203	**(36)**	315
Disposal of subsidiary undertaking	**-**	647	**-**	-
Exchange movement	**-**	48	**-**	-
	257	367	**700**	736

Deferred taxation provided and deferred taxation not provided comprise:

	Amounts provided		Amounts not provided	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	**591**	207	**(308)**	-
Other timing differences	**152**	160	**(59)**	-
Tax losses available	**(486)**	-	**(6,934)**	(6,881)
	257	367	**(7,301)**	(6,881)

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.

17. Called-up share capital

	2001	2000
	£'000	£'000
Authorised:		
15,000,000 ordinary shares of 10p each - equity	**1,500**	1,500
15,000,000 cumulative redeemable preference shares of £1 each - non-equity	**15,000**	15,000
	16,500	16,500
Issued and fully paid:		
14,779,303 (2000 - 14,847,785) ordinary shares of 10p each - equity	**1,478**	1,485
15,000,000 cumulative redeemable preference shares of £1 each - non-equity	**15,000**	15,000
	16,478	16,485

Further to the shareholders' resolution on 25 January 2001, the Company purchased 68,482 ordinary shares with a nominal value of £6,848, and representing 0.46% of the Company's called-up ordinary share capital, for £790,282.

The cumulative redeemable preference shares carry an entitlement to a dividend at the rate of 7.5p per share per annum (exclusive of any associated tax credit) and are to be redeemed at par. The latest date for redemption is 31 January 2009, although the Company may redeem at any time prior to that date. Holders of these redeemable preference shares have the right on a winding-up to receive, in priority to other classes of shares, the sum of £1 per share plus any arrears of accumulated preference share dividends.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

18. Reserves

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

	Group 2001 £'000	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
Distributable				
Profit and loss account	**29,306**	29,446	**3,526**	4,518
Translation reserve	**172**	(100)	**-**	-
Non-distributable				
Share premium reserve	**19,868**	19,868	**-**	-
Consolidation reserve	**5,032**	5,032	**-**	-
Revaluation reserve	**596**	570	**-**	-
Capital redemption reserve	**15,008**	15,001	**7**	-
	69,982	69,817	**3,533**	4,518

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 2000	29,446	(100)	4,518
Profit (loss) for the year	301	-	(202)
Realised revaluation surplus	1	-	-
Goodwill reversal on disposal of properties	347	-	-
Goodwill reversal on disposal of subsidiary undertaking	1	-	-
Purchase of ordinary shares	(783)	-	(783)
Transfer to capital redemption reserve on purchase of ordinary shares	(7)	-	(7)
Exchange adjustment	-	272	-
At 31 January 2001	**29,306**	**172**	**3,526**

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

	Group Share premium account £'000	**Group Capital redemption reserve £'000**	**Group Consolidation reserve £'000**	**Group Revaluation reserve £'000**	**Company Capital redemption reserve £'000**
At 31 January 2000	19,868	15,001	5,032	570	-
Realised revaluation surplus	-	-	-	(1)	-
Transfer from profit and loss account on purchase of ordinary shares	-	7	-	-	7
Revaluation surplus	-	-	-	27	-
At 31 January 2001	**19,868**	**15,008**	**5,032**	**596**	**7**

The cumulative amount of goodwill written off directly to Group reserves is £5,023,000 (2000 - £5,371,000). The cumulative amount of negative goodwill added to Group reserves is £7,270,000 (2000 - £7,270,000).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

19. Reconciliation of movement in shareholders' funds

	Group 2001 £'000	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
Total recognised gains and losses relating to the year	**1,725**	388	**923**	5,643
Dividends to non-equity shares	**(1,125)**	(1,125)	**(1,125)**	(1,125)
Purchase of ordinary shares	**(790)**	-	**(790)**	-
Expenses of share issues	**-**	(27)	**-**	-
Goodwill reversal on disposal of subsidiary	**1**	2,373	**-**	-
Goodwill reversal on disposal of properties	**347**	961	**-**	-
Reserve movements allocated to minority interests	**-**	161	**-**	-
Movement in shareholders' funds	**158**	2,731	**(992)**	4,518
Opening shareholders' funds	**86,302**	83,571	**21,003**	16,485
Closing shareholders' funds	**86,460**	86,302	**20,011**	21,003
Represented by:				
Equity interests	**71,460**	71,302	**5,011**	6,003
Non-equity interests	**15,000**	15,000	**15,000**	15,000
	86,460	86,302	**20,011**	21,003

20. Minority interests

	Equity interests £'000
At 31 January 2000	4,719
Share of profit on ordinary activities after tax	1,328
Dividends paid or payable	(425)
Shares issued to minorities	52
Disposal of subsidiary undertakings	(20)
Share of other reserve movements	38
At 31 January 2001	**5,692**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

21. Analysis of cash flows

		Group 2001 £'000	Group 2000 £'000
(a)	**Returns on investments and servicing of finance**		
	Interest received	**202**	703
	Interest paid	**(5,106)**	(4,885)
	Interest element of finance lease and hire purchase rentals	**(1,146)**	(889)
	Dividends received	**44**	483
	Preference dividend paid	**(1,045)**	-
	Dividends paid to minority interests	**(50)**	(196)
	Net cash outflow	**(7,101)**	(4,784)
(b)	**Taxation**		
	UK corporation tax recovered (paid)	**722**	(2,004)
	Overseas tax paid	**(79)**	(670)
	Net cash inflow (outflow)	**643**	(2,674)
(c)	**Capital expenditure and financial investment**		
	Purchase of intangible fixed assets	**(288)**	-
	Purchase of tangible fixed assets	**(89,997)**	(14,417)
	Purchase of investments	**(9,549)**	(2,980)
	Repayment of loan by joint venture	**2,000**	-
	Sale of tangible fixed assets	**4,068**	4,576
	Foreign currency translation movements	**(62)**	225
	Net cash outflow	**(93,828)**	(12,596)
(d)	**Acquisitions and disposals**		
	Purchase of subsidiary undertaking	**(140)**	(140)
	Purchases of minority interests	**-**	(151)
	Sale of subsidiary undertakings	**364**	10,348
	Net overdraft of subsidiaries sold	**3,724**	3,688
	Payments on termination of business	**(216)**	(393)
	Net cash inflow	**3,732**	13,352
(e)	**Financing**		
	Purchase of ordinary shares	**(790)**	-
	Repayment of borrowings	**(1,671)**	(8,556)
	Capital element of finance lease and hire purchase rental payments	**(4,183)**	(4,491)
	New bank borrowings	**78,492**	-
	Loan notes issued	**-**	1,800
	Expenses of share issues	**-**	(27)
	Issue of shares of subsidiary undertakings to minority interests	**52**	-
	Net cash inflow (outflow)	**71,900**	(11,274)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

22. 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	10,171	(7,376)	-	-	2,795
Bank overdrafts	(16,608)	3,842	-	-	(12,766)
	(6,437)	(3,534)	-	-	(9,971)
Debt due after 1 year	(23,097)	(66,556)	-	-	(89,653)
Debt due within 1 year	(1,681)	(10,265)	-	-	(11,946)
Finance leases	(11,357)	4,183	251	(7,229)	(14,152)
Current asset investments	133	(45)	-	-	88
Net debt	(42,439)	(76,217)	251	(7,229)	(125,634)

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 £7,229,000 (2000 - £5,051,000).

23. Contingent liabilities, guarantees and other financial commitments

Contingent liabilities and guarantees:

(a) The Company has guaranteed bank borrowings of subsidiary and associated undertakings which at 31 January 2001 amounted to £51,170,000 (2000 - £47,759,000).

(b) The Group have made counter indemnities in favour of its bankers, Bank of Scotland, up to a sum of £4,273,000 (2000 - £3,347,000) in respect of guarantees provided by the bank in favour of North Lanarkshire Council and the Coal Authority as a condition of a subsidiary undertaking obtaining a licence to engage in open cast mining operations and fulfilling its obligations under this licence.

(c) 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.

Financial commitments:

(a) Operating leases

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

	Group 2001 £'000	Group 2000 £'000
Operating leases which expire:		
Property		
- within 1 year	**152**	43
- within 2-5 years	**336**	64
- after 5 years	**1,145**	1,142
	1,633	1,249
Other		
- within 1 year	**103**	288
- within 2-5 years	**624**	425
- after 5 years	**23**	-
	750	713
(b) Capital commitments Contracted but not provided for	**4,819**	8,136

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2001 (continued)

23. 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 with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the estimated average remaining working life of scheme members. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial valuation was at 1 October 1998. 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 9% per annum and that pensionable salary increases would average 7% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £4,601,000 and that the actuarial value of those assets, on a discounted income basis, represented 103% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This surplus will be eliminated over the average remaining service life of the current active members. The contributions of the Group and employees amount to 13% of earnings.

The Group also operates a defined contribution scheme 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 an insurance company. All contributions are charged to the profit and loss account in the month in which they are incurred.

Austin Trumanns Group Limited operates a separate money purchase pension scheme for certain personnel whereby all benefits are restricted to the funds available. The assets of the scheme are held independently of Austin Trumanns Group Limited by an insurance company. All contributions are charged to the profit and loss account in the month in which they are incurred.

The pension cost for the year in respect of all pension schemes operated by the Group is shown in Note 5.

24. Subsequent events

Subsequent to the year end the Group acquired certain investment properties for a consideration of £37,600,000. The acquisition has been financed by a separate banking facility and existing Group resources.

Also subsequent to the year end the Group acquired the entire issued share capital of Le Bistro Catering Limited, formerly McAreavey Limited.

25. Related party transactions

In accordance with the exemptions provided under Financial Reporting Standard 8 for companies whose voting rights are 90% or more controlled within the group, the Company has not disclosed transactions with its subsidiary undertakings. Sales of £3,905,000 (2000 - £826,000) were made to Murray Sports Limited and subsidiaries, related parties by virtue of common control. Purchases of £524,000 (2000 - £423,000) were made from Murray Sports Limited and subsidiaries. Sales of £198,000 (2000 - £Nil) were made to New Brannock Limited, a related party by virtue of common control. All transactions with related parties were conducted on an arm's length basis. The amounts due from or to related parties are shown in Notes 12 and 14.

The Group received a management fee of £400,000 and dividends of £801,000 from Kilmartin PPG (Strand) Limited, a joint venture undertaking (Note 10).

26. Controlling party

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

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