MURRAY

MURRAY INTERNATIONAL HOLDINGS LIMITED

REPORT AND ACCOUNTS 2002

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 2 September 2002 at 11.00am to transact the following business:-

1 To receive and consider the Company's accounts for the year ended 31 January 2002 together with the reports of the directors and auditors thereon.

2 To appoint auditors for the ensuing year and to authorise the directors to fix their remuneration.

By Order of the Board
D. Horne, Secretary, 31 July 2002
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	D.W.M. Horne LL.B.(Hons)
REGISTERED OFFICE	9 Charlotte Square,
	Edinburgh
	EH2 4DR
AUDITORS	Arthur Andersen,
	Chartered Accountants,
	Saltire Court,
	20 Castle Terrace
	Edinburgh
	EH1 2DB
BANKERS	Bank of Scotland,
	The Mound,
	Edinburgh EH1 1YZ
MERCHANT BANKERS	Noble Grossart Limited,
	48 Queen Street,
	Edinburgh EH2 3NR
SOLICITORS	Dundas & Wilson, C.S.,
	Saltire Court,
	20 Castle Terrace,
	Edinburgh EH1 2EN

CHAIRMAN'S STATEMENT

A recurring theme in my recent Statements has been our focus on core activities and our strategy for the controlled growth of the Group. Last year, I was able to report an improvement in our results across the board as we continued to build on the solid foundations laid in previous years.

I am therefore pleased to report that this trend has continued for the financial year to 31 January 2002. Turnover from the Group's continuing operations has increased by 54% from £143 million to £221 million. At the same time, operating profit from continuing operations has also shown an excellent improvement from £9.2 million to £15.7 million and this has resulted in a 38% increase in profit before tax. In line with levels of growth predicted in the Group's business plan, new facilities have been secured with our principal banker, Bank of Scotland. These new facilities will accommodate our strategy, which is well on course to be achieved in the current financial year.

Turning to my review of the divisional components of the Group, our **Metals Division**, which had exhibited a strong finish to the previous financial year, continued to demonstrate improvement across all sectors and in each of its geographical locations. Divisional turnover from continuing operations increased by 42% from £100 million to £142 million and this was mirrored by an equally impressive increase in profitability, particularly from Murray International Metals, both in the UK and overseas.

We have continued our expansion of Murray International Metals, a policy which has contributed to its financial growth during the year. In particular, we doubled the storage capacity at our Jebel Ali facility to 220,000 sq ft. During the year, we continued with our programme of plant and equipment upgrading at Forth Steel and Premier Alloys, as well as completion of a 10,000 sq ft extension of our Newbridge facilities for Premier Alloys. At the same time, Northern Steel Stocks acquired its West Lothian premises and now intends to undertake a programme of site development.

The financial performance of Austin Trumanns continued to improve as the benefits of our rationalisation programme emerged. As part of the next stage of our plan for the business, we have recently established a low cost regional unit in Scotland to complement our stockholding hubs in Manchester and Wolverhampton. This unit fits closely with key customer requirements and ensures that the crucial oncost associated with our customer service policy is kept to a controlled minimum.

Subsequent to the year end, we re-acquired Multi Metals, a stockholder and supplier of aluminium with annual turnover projected at £15 million.

Our **Property Division** made another significant contribution to Group performance, recording healthy pre-tax profits and a further increase in net assets.

While the property sector experienced a softening in occupier demand over the second half of the year under review (a trend which has continued in the current year), activity in other respects remained strong. In particular, demand for well-let investments was extremely high and PPG was able to capitalise on disposals from the former P&O Scottish portfolio as well as from newly completed schemes.

Our acquisition of the Kingsgate Shopping Centre in Dunfermline has proved a sound move, offering steady income and good prospects of value enhancement, while the remainder of our investment portfolio has experienced steady growth.

Our development activities have seen the completion and letting of Excel House in Edinburgh's Exchange District, while the adjoining ABC cinema redevelopment is due for completion in Autumn 2002. We also have successful industrial schemes underway in Edinburgh and in Yorkshire.

Although economic conditions may dictate a cautious approach to speculative development over the months ahead, we have augmented our future working stock with the acquisition of an 11 acre site at South Gyle. In addition, Franborough House in central Glasgow will over the medium term offer high quality office accommodation to a large occupier.

Our landbank in and around the Edinburgh City Bypass remains an asset which we believe will realise value to the Group over the medium to longer term.

South of the Border, PPG's Leeds office goes from strength to strength, a regular flow of development and investment work having now been established. Projects along the M62 and in central Leeds contributed positively to our financial performance. With a view to replicating this success, we are looking closely at similar opportunities in other locations.

Collectively, transactions under management coupled with existing investments carry a total value approaching £300 million.

Our **Mining Division** performed well again despite adverse weather conditions in the earlier part of the year. We have recently concluded a three year, £35 million coal supply contract with our principal customer, Scottish Power, and this now underpins our ongoing plan. As a result of these negotiations, we have developed a close working relationship at a time when the indigenous coal sector has seen considerable change including the recent closure of the last Scottish deep mine at Longannet.

During the year, we secured a further 1 million tonnes of coal reserves which, coupled with our existing reserves of 3 million tonnes, confirms the availability of ongoing production for the foreseeable future.

In a previous statement, I referred to significant after-use opportunities which can arise from open-cast mining sites. I am pleased to report that during the year we established a new operating company, Eden Waste Recycling, to capitalise on these opportunities. We now have outline planning permission for some 900,000 m^3 of landfill void at our Drumshangie site in Lanarkshire and will be looking to commence operation of an integrated waste recycling plant at this location later this year.

During the financial year under review, the management of **Charlotte Ventures** assumed control of the Carnegie Group of companies comprising Carnegie Worldwide, Carnegie (NZ), Carnegie Australia and Carnegie Signs. Charlotte Ventures along with Metals, Mining and Property now makes up the fourth of our core Group divisions and contains a diverse range of businesses within its investment portfolio. In addition, it continues to provide a range of corporate services on an internal and external basis.

Within Charlotte Ventures, I am pleased to report a solid performance from each of our investments, together with certain specific initiatives, made to further enhance the portfolio value.

Response Handling, our internet enabled contact centre again increased its call-handling capability which supported another year of excellent turnover and profit growth. Azure Support Services, our sporting and stadia contract catering business, acquired Le Bistro, an event caterer operating in Scotland and the North of England. These businesses have successfully integrated and the combined entity will have a projected turnover in excess of £11 million this year. Vida, which owns and operates 5-a-side football centres, acquired the site location pipeline of Short Sided Soccer. This acquisition ensures Vida, with a total investment of £14 million, will have eleven sites operational throughout the UK by the end of 2002. CIS, which develops technology based solutions for the sports and leisure industries in addition to providing Group IT support, completed development of an innovative CRM solution which we anticipate will have a wider market impact. Early signs for this web-based application are very positive and customer feedback has been excellent.

In conclusion, I am extremely encouraged by the Group's performance during the year under review and remain confident in the potential for each of our core operating divisions as we look to the future. I have often referred in the past to my preference for working from a private base and I remain resolute in this view as I observe the turbulence experienced in the current public marketplace. Achieving consistent profit performance while also implementing long-term strategic plans are perhaps adequate tests in themselves, without having to be held hostage to short-term share price fluctuations.

Subsequent to the year end, I made a significant personal decision to stand down as Chairman of Rangers Football Club, a position I had held for fourteen years. There were a number of factors influencing this decision but key was my desire to spend more time in Murray International Holdings. Rangers has undoubtedly demanded a considerable amount of my focus over the years and this has been at the expense of time devoted to the Group. While I have enjoyed my association with Rangers, I now feel it is time to direct more of my energy towards Group activities. I believe we have strong management in each area of our business and I will concentrate my efforts to ensure everyone associated with the Group continues to work within the Murray culture and vision. Our brand has stood the test of time for over twenty-five years and the Group remains one of Scotland's leading private, independent companies.

As ever, my sincere thanks go to all those who have contributed to the success of the Group this year and in particular to all our staff and our many customers and suppliers whose ongoing support is greatly appreciated.

David E. Murray
31 July 2002

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2002

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 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal trading divisions of the Group comprise Metals, Property, Mining and Charlotte Ventures. 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 proposed 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 2002	31 January 2001
D.E. Murray	12,008,529	12,008,529
J. MacDonald	86,671	164,675
I.B. Tudhope	63,169	62,834
J.D.G. Wilson	63,169	62,834
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 5.52% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDINGS

Uberior Investments plc, a wholly owned subsidiary of Bank of Scotland, owns 11.39% of the issued share capital of the Company.

ACQUISITION OF THE COMPANY'S OWN SHARES

Further to the shareholders' resolutions on 23 August 2001 and 21 November 2001, the Company purchased 68,438 ordinary shares with a nominal value of £6,844 and representing 0.46% of the Company's ordinary share capital for £789,775.

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 £152,353 (2001 - £105,536) to charitable organisations.

SHARE OPTIONS

During the year three of the directors were granted share options as part of a long-term incentive plan. No options were exercised during the year.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2002 (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 year. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 appoint auditors for the ensuing year.

By Order of the Board

D.W.M. Horne
Secretary

9 Charlotte Square,
Edinburgh,
EH2 4DR

31 July 2002

INDEPENDENT AUDITORS' REPORT

ARTHUR ANDERSEN

To the Shareholders of MURRAY INTERNATIONAL HOLDINGS LIMITED:

We have audited the financial statements of Murray International Holdings Limited for the year ended 31 January 2002 which comprise the Profit and Loss Account, Balance Sheets, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes numbered 1-27. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group are not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 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 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 of the state of affairs of the Company and of the Group at 31 January 2002 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR ANDERSEN
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

31 July 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2002

	NOTE	**2002 £'000**	**2002 £'000**	2001 £'000	2001 £'000 Restated
TURNOVER					
Continuing operations			**221,474**		143,432
Discontinued operations			**-**		7,319
	2		**221,474**		150,751
Cost of sales	3(a)		**(173,472)**		(113,376)
GROSS PROFIT			**48,002**		37,375
Other operating expenses (net)	3(b)		**(32,267)**		(28,008)
OPERATING PROFIT					
Continuing operations		**15,735**		9,178	
Discontinued operations		**-**		189	
			15,735		9,367
Share of associates' and joint ventures' operating profit			**86**		1,064
Exceptional items			**-**		549
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			**15,821**		10,980
Investment income	4(a)		**141**		214
Interest payable and similar charges	4(b)		**(10,903)**		(7,525)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**5,059**		3,669
Tax on profit on ordinary activities	6		**1,341**		(985)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**6,400**		2,684
Minority interests	21		**(1,884)**		(1,347)
PROFIT FOR THE FINANCIAL YEAR			**4,516**		1,337
Dividends paid and proposed	7		**(1,125)**		(1,125)
PROFIT TRANSFERRED TO RESERVES			**3,391**		212

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 19.

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 2002

	2002 £'000	2001 £'000 Restated
Profit for the financial year	**4,516**	1,337
Currency translation adjustments	**168**	272
Unrealised surplus on revaluation of associate's property	**-**	27
Total recognised gains and losses	**4,684**	1,636
Prior period adjustment (note 8)	**198**	–
Total gains and losses recognised since last financial statements	**4,882**	1,636

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

BALANCE SHEETS
AS AT 31 JANUARY 2002

		Group		Company	
		2002	2001	**2002**	2001
	NOTE	**£'000**	£'000	**£'000**	£'000
FIXED ASSETS			Restated		
Tangible assets	9	**186,641**	138,562	**-**	-
Intangible assets	10	**2,707**	953	**-**	-
Investments	11	**11,882**	11,110	**1,485**	1,485
		201,230	150,625	**1,485**	1,485
CURRENT ASSETS					
Stocks	12	**35,637**	25,500	**-**	-
Debtors: Amounts falling due within one year	13	**45,274**	39,523	**877**	869
Debtors: Amounts falling due after more than one year	13	**63,697**	61,118	**-**	-
Investments	14	**80**	88	**-**	-
Cash at bank and in hand		**2,978**	2,795	**17,616**	18,782
		147,666	129,024	**18,493**	19,651
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(125,524)**	(87,411)	**(1,166)**	(1,125)
NET CURRENT ASSETS		**22,142**	41,613	**17,327**	18,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**223,372**	192,238	**18,812**	20,011
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	**(125,058)**	(99,129)	**-**	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(563)**	(759)	**-**	-
NET ASSETS		**97,751**	92,350	**18,812**	20,011
CAPITAL AND RESERVES					
Called-up share capital	18	**16,471**	16,478	**16,471**	16,478
Consolidation reserve	19	**5,032**	5,032	**-**	-
Revaluation reserve	19	**919**	596	**-**	-
Share premium account	19	**19,868**	19,868	**-**	-
Capital redemption reserve	19	**15,015**	15,008	**15**	7
Profit and loss account	19	**31,916**	29,485	**2,326**	3,526
Translation reserve	19	**89**	172	**-**	-
SHAREHOLDERS' FUNDS, including non-equity interests	20	**89,310**	86,639	**18,812**	20,011
MINORITY INTERESTS	21	**8,441**	5,711	**-**	-
TOTAL CAPITAL EMPLOYED		**97,751**	92,350	**18,812**	20,011

Signed on behalf of the Board on 31 July 2002

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 2002

	NOTE	**2002 £'000**	2001 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		**32,758**	20,319
Dividends from associates and joint ventures		**–**	801
Returns on investments and servicing of finance	22(a)	**(13,663)**	(7,101)
Taxation	22(b)	**(1,447)**	643
Capital expenditure and financial investment	22(c)	**(70,421)**	(93,828)
Acquisitions and disposals	22(d)	**(899)**	3,732
Cash outflow before financing		**(53,672)**	(75,434)
Financing	22(e)	**14,290**	71,900
Decrease in cash during the year		**(39,382)**	(3,534)

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2002 £'000	2001 £'000
Operating profit	**15,735**	9,367
Depreciation charges	**5,430**	4,406
Original cost of freehold, development and investment property disposals	**19,486**	4,000
Amortisation of intangible assets	**223**	133
Profit on sale of tangible assets	**(282)**	(258)
Write down in value of investments	**336**	-
(Increase) decrease in stocks	**(10,040)**	369
Increase in debtors	**(5,596)**	(12,396)
Decrease in current asset investments	**8**	45
Increase in creditors	**7,644**	14,032
Decrease in land restoration provision	**(137)**	(36)
Write back of goodwill on disposal of properties	**10**	347
Other reserve movements	**(59)**	310
Net cash inflow from operating activities	**32,758**	20,319

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 23)

	2002 £'000	2001 £'000
Decrease in cash in the year	**(39,382)**	(3,534)
Cash inflow from increase in debt and lease financing	**(15,080)**	(72,638)
Change in net debt resulting from cash flows	**(54,462)**	(76,172)
New finance leases	**(1,556)**	(7,229)
Decrease in current asset investments	**(8)**	(45)
Debt acquired with purchase of subsidiary undertaking	**(131)**	–
Debt disposed of with sale of subsidiary undertaking	**–**	251
Movement in net debt in the year	**(56,157)**	(83,195)
Net debt at beginning of year	**(125,634)**	(42,439)
Net debt at end of year	**(181,791)**	(125,634)

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002

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, with the exception of the policy for taxation, which is explained in note 8.

(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 2002. 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 £409,000 (2001 - loss of £202,000) has been recognised within 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.

Freehold properties, which are not depreciated, with the exception of capitalised improvements and fit-out costs are subject to annual impairment reviews.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

1. Accounting policies (continued)

(d) Tangible fixed assets: (continued)

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

Freehold buildings	10-50 years
Leasehold properties	Over period of lease
Plant and equipment	5-20 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.

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 be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 occured at the balance sheet date. Timing differences are differences between the Group's taxable profit and it's 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 accounts. 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 accounts. Neither 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 ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

1. Accounting policies (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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(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.

(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 24.

(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 24.

(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 ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

2. Segment information

Contributions to Group turnover are as follows:

	2002 All Continuing £'000	2001 Continuing £'000	2001 Discontinued £'000	2001 Total £'000
By Activity:				
Metals	**142,130**	99,501	7,319	106,820
Property	**38,481**	13,102	-	13,102
Mining	**16,412**	15,645	-	15,645
Corporate finance and private investment	**24,451**	15,184	-	15,184
	221,474	143,432	7,319	150,751
By geographical area:				
United Kingdom	**176,467**	117,534	7,319	124,853
Outwith the United Kingdom	**45,007**	25,898	-	25,898
	221,474	143,432	7,319	150,751

Group turnover may be analysed as follows:

	2002 £'000	2001 £'000
Group and share of joint ventures	**221,474**	159,836
Less share of joint ventures	**-**	(9,085)
Group turnover	**221,474**	150,751

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:

	2002 All Continuing £'000	2001 Continuing £'000	2001 Discontinued £'000	2001 Total £'000
(a) Cost of sales	**173,472**	107,440	5,936	113,376
(b) Other operating expenses (net)				
Distribution costs	**11,014**	9,970	746	10,716
Administrative expenses	**21,253**	16,844	448	17,292
	32,267	26,814	1,194	28,008

(c) Miscellaneous

	2002 £'000	2001 £'000
Depreciation and amounts written off tangible fixed assets		
- owned assets	**2,696**	1,809
- held under finance leases and hire purchase contracts	**2,734**	2,597
Amortisation of goodwill and other intangible fixed assets	**223**	133
Goodwill reversal on disposal of properties	**10**	347
Operating lease rentals		
- property	**719**	726
- other	**716**	834
Auditors' remuneration		
- audit services	**217**	146
- non-audit services	**16**	24
Profit on sale of tangible fixed assets	**(282)**	(258)
Permanent impairment of investment property	**336**	-

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

4. Profit on ordinary activities before taxation

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

	2002 £'000	2001 £'000
(a) Investment income		
Income from fixed asset investments	**6**	44
Interest receivable and similar income	**135**	170
	141	214
(b) Interest payable and similar charges		
Bank loans and overdrafts	**10,357**	6,861
Finance leases and hire purchase contracts	**1,007**	1,146
Other loans	**159**	298
	11,523	8,305
Interest capitalised on development properties	**(620)**	(780)
	10,903	7,525

Interest capitalised is based on normal commercial rates.

5. Staff costs

Employee costs during the year amounted to:

	2002 £'000	2001 £'000
Wages and salaries	**20,998**	16,637
Social security costs	**1,672**	1,494
Pension costs	**1,389**	1,032
Contributions to remuneration trust	**1,233**	–
	25,292	19,163

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

The average monthly number of employees during the year, including executive directors, was as follows:

	2002 Number	2001 Number
Production and sales	**1,269**	1,140
Administration	**265**	216
	1,534	1,356

Directors' remuneration during the year amounted to:

	2002 £'000	2001 £'000
Fees	**122**	96
Emoluments	**1,344**	1,464
Contributions to money purchase pension schemes	**689**	362
	2,155	1,922

The directors' remuneration shown above included the following in respect of the highest paid director:

	2002 £'000	2001 £'000
Emoluments	**783**	647
Contributions to money purchase pensions schemes	**95**	111
	878	758

The number of directors who were members of pension schemes was as follows:

	2002 Number	2001 Number
Money purchase schemes	**4**	5

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

6. Tax on profit on ordinary activities

	2002 £'000	2001 £'000 Restated
Current tax:		
UK corporation tax	**795**	740
Overseas tax	**729**	271
Double tax relief	**(139)**	-
Other	**-**	39
	1,385	1,050
Adjustments in respect of prior years - UK corporation tax	**12**	(367)
Total current tax charge	**1,397**	683
Deferred tax:		
Origination and reversal of timing differences	**154**	(110)
Prior period adjustment (note 8)	**-**	70
Increase in estimate of recoverable deferred tax asset	**(2,970)**	-
UK deferred tax (note 17)	**(2,816)**	(40)
Overseas deferred tax	**61**	-
Total deferred tax credit	**(2,755)**	(40)
Share of associate's tax charge	**17**	342
Total tax (credit)/charge on profit on ordinary activities	**(1,341)**	**985**

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:

	2002 £'000	2001 £'000 Restated
Profit on ordinary activities before tax	**5,059**	3,669
Less: share of associates profit before tax	**(86)**	(1,064)
Group profit on ordinary activities before tax	**4,973**	2,605
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	**1,492**	782
Effects of:		
Income not taxable net of expenses not deductible for tax purposes	**(150)**	(899)
Capital allowances in excess of depreciation	**(120)**	(378)
Utilisation of tax losses	**(419)**	444
Capital gains	**508**	945
Adjustments for long accounting periods/acquisitions	**(102)**	(55)
Adjustments to tax charge in respect of previous periods	**12**	(367)
Adjustments for overseas tax	**320**	68
Double tax relief	**(139)**	–
Dividends from UK companies	**(5)**	564
Short term timing differences	**–**	(460)
ACT written off	**–**	39
Group current tax charge for period	**1,397**	683

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%.

The Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in the USA are taxed at a rate of 34%.

7. Dividends paid and proposed

	2002 £'000	2001 £'000
Non-equity shares:		
Interim dividend proposed of 7.5p (2001 - 7.5p) per share	**1,125**	1,125
	1,125	1,125

No final dividend is proposed in respect of the year (2001 – £Nil).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

8. Prior year adjustment

The Group policy for calculating the cost of deferred taxation was changed during the year to reflect the implementation of FRS19 - Deferred Taxation. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

Profit and loss account	**2002 £'000**	2001 £'000
Tax on profit on ordinary activities	**2,816**	(70)
Increase/(decrease) in profit in the financial year	**2,816**	(70)

Balance sheet	**2002 £'000**	2001 £'000
Provision for liabilities and charges	**2,757**	198
Increase in net assets	**2,757**	198

9. Tangible fixed assets

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

Group	**2002 £'000**	2001 £'000
Land and buildings		
Freehold	**16,708**	14,957
Leasehold	**3,204**	1,086
Development properties	**24,206**	20,819
Investment properties	**117,512**	79,552
Plant, equipment and vehicles	**22,915**	22,148
Assets in the course of construction	**2,096**	-
	186,641	138,562

The movement in the year was as follows:

	Land and buildings						
Group	**Freehold £'000**	**Leasehold £'000**	**Development properties £'000**	**Investment properties £'000**	**Plant equipment & vehicles £'000**	**Assets in the course of construction £'000**	**Total £'000**
Cost or valuation:							
At 31 January 2001	15,988	1,220	20,819	79,552	36,826	-	154,405
Additions	2,831	2,305	4,425	56,354	6,083	2,096	74,094
Revaluations	-	-	-	350	-	-	350
Transfers	(963)	-	-	-	963	-	-
Disposals	(168)	-	(1,038)	(18,408)	(2,851)	-	(22,465)
Exchange adjustments	8	-	-	-	27	-	35
At 31 January 2002	**17,696**	**3,525**	**24,206**	**117,848**	**41,048**	**2,096**	**206,419**
Depreciation:							
At 31 January 2001	1,031	134	-	-	14,678	-	15,843
Charge for the year:							
- owned assets	445	187	-	-	2,064	-	2,696
- HP/leased assets	-	-	-	-	2,734	-	2,734
Transfers	(423)	-	-	-	423	-	-
Revaluations	-	-	-	336	-	-	336
Disposals	(66)	-	-	-	(1,778)	-	(1,844)
Exchange adjustments	1	-	-	-	12	-	13
At 31 January 2002	**988**	**321**	**-**	**336**	**18,133**	**-**	**19,778**
Net book value at 31 January 2002	**16,708**	**3,204**	**24,206**	**117,512**	**22,915**	**2,096**	**186,641**
Net book value at 31 January 2001	14,957	1,086	20,819	79,552	22,148	-	138,562
Leased assets included in the above:							
Net book value at 31 January 2002	**-**	**-**	**-**	**-**	**14,679**	**-**	**14,679**
Net book value at 31 January 2001	-	-	-	-	16,298	-	16,298

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

9. Tangible fixed assets (continued)

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 2002. In accordance with SSAP19, the investment properties are not depreciated.

Cumulative interest capitalised included in the cost of the development properties amounts to £1,692,000 (2001 - £1,072,000).

Land and buildings, plant and equipment and assets in the course of construction are shown at cost or valuation as detailed below:

	2002 Land and buildings £'000	**2002 Plant equipment and vehicles £'000**	**2002 Assets in the course of construction £'000**	2001 Land and buildings £'000	2001 Plant equipment and vehicles £'000	2001 Assets in the course of construction £'000
Professionally valued	117,788	-	-	79,492	-	-
At cost	45,487	41,048	2,096	38,087	36,826	-
Cost or valuation at 31 January	163,275	41,048	2,096	117,579	36,826	-

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

10. Intangible fixed assets

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

	Group 2002 £'000	Group 2001 £'000
Consolidation goodwill	**1,669**	583
Other intangible fixed assets	**1,038**	370
	2,707	953

The movement in the year was as follows:

	Other intangible fixed assets £'000	**Consolidation goodwill £'000**	**Total £'000**
Cost:			
At 31 January 2001	400	4,257	4,657
Additions	727	1,250	1,977
At 31 January 2002	**1,127**	**5,507**	**6,634**
Amortisation:			
At 31 January 2001	30	3,674	3,704
Charge for the year	59	164	223
At 31 January 2002	**89**	**3,838**	**3,927**
Net book value at 31 January 2002	**1,038**	**1,669**	**2,707**
Net book value at 31 January 2001	370	583	953

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

11. Fixed asset investments

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

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Subsidiary undertakings	**-**	-	**1,485**	1,485
Associated undertakings and joint ventures	**1,164**	1,171	**-**	-
Other investments	**10,718**	9,939	**-**	-
	11,882	11,110	**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 2001	1,171	9,939	1,485
Additions	174	529	-
Share of retained profit for the year	69	-	-
Transfer of associated undertaking to other investments	(250)	250	-
Net book value at 31 January 2002	**1,164**	**10,718**	**1,485**
Net book value at 31 January 2001	1,171	9,939	1,485

Subsidiary undertakings:

The principal trading subsidiary undertakings of the Company at 31 January 2002 were as follows:

	Country of incorporation	Principal activity	Percentage control by Group at 31 January 2002
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
The Premier Property Group Limited	United Kingdom	Property development and investment	98
G M Mining Limited	United Kingdom	Opencast mining	57.5
Charlotte Ventures Limited	United Kingdom	Corporate finance and private investment	100
Response Handling Limited	United Kingdom	Direct marketing	95
Azure Support Services Limited	United Kingdom	Catering services	70
VIDA Limited	United Kingdom	5-a-side football facilities	100
Carnegie Information Systems Limited	United Kingdom	IT consultancy and related services	95
Carnegie Sports International (NZ) Limited	New Zealand	Sports marketing and management	85
Carnegie Sports International (Australia) Pty Limited	Australia	Sports marketing and management	100
Carnegie Signs Limited	United Kingdom	Trackside advertising services	85
Carnegie Worldwide Limited	United Kingdom	Sports marketing and management	80

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

11. Fixed asset investments (continued)

Purchase of subsidiary undertaking:

On 2 March 2001 the Group acquired 70% of the ordinary share capital of Le Bistro Catering Limited. The fair value of the net liabilities acquired was not materially different from book value. The net liabilities acquired and related purchase consideration are as follows:

	Le Bistro Limited £'000
Tangible assets	406
Current assets	305
Creditors due within one year	(2,045)
Creditors due after more than one year	(86)
Net liabilities acquired of	(1420)
Minority interests acquired of	284
Goodwill on acquisition	1,248
Legal and professional fees incurred in connection with purchase	(112)
Purchase consideration	–

The purchase consideration for Le Bistro Catering Limited was satisfied by the assumption by the Group of the company's liabilities at the date of purchase.

Net cash outflows in respect of the purchase were:	
Bank overdrafts acquired	(703)
Cash at bank and in hand acquired	39
	(664)

Le Bistro Catering Limited incurred a loss after taxation of £452,000 in the year ended 31 January 2002, of which £64,000 arose in the period from 31 January 2001 to 2 March 2001.

Associated undertakings and joint ventures:

The associated undertakings and joint ventures of the Group at 31 January 2002 were as follows:

	Percentage of ordinary shares held at 31 January 2002
Kilmartin PPG (Strand) Limited	38
Haymarket Court Limited	50
Haymarket Yards Limited	50
Take Two Developments Limited	50

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 £585,000 (2001 - £462,000) and goodwill of £480,000 (2001 - £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 2002 (continued)

11. Fixed asset investments (continued)

The following information is given in respect of the Group's share of all joint ventures:	**2002 £'000**	2001 £'000
Gross assets	**7,453**	1,607
Gross liabilities	**(7,391)**	(1,598)

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. The addition in the year includes 79,500 shares in The Rangers Football Club plc purchased for a total consideration of £179,000. Murray Sports Limited and The Rangers Football Club plc are related parties by virtue of common control.

12. Stocks

	Group 2002 £'000	Group 2001 £'000
Goods for resale	**33,142**	24,120
Raw materials	**2,178**	1,057
Work in progress	**317**	323
	35,637	25,500

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

13. Debtors

Amounts falling due within one year:	**Group 2002 £'000**	Group 2001 £'000	**Company 2002 £'000**	Company 2001 £'000
Trade debtors	**36,635**	31,052	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**727**	537
Amounts owed by associated undertakings	**-**	356	**-**	-
Amounts owed by related parties	**940**	1,738	**-**	-
UK corporation tax recoverable	**-**	3	**-**	-
UK income tax recoverable	**-**	1	**-**	-
VAT recoverable	**2,537**	164	**-**	-
Overseas tax recoverable	**39**	130	**-**	-
Other debtors	**1,726**	2,205	**-**	102
Amounts recoverable on contracts	**-**	1,257	**-**	-
Prepayments and accrued income	**3,397**	2,617	**150**	230
	45,274	39,523	**877**	869
Amounts falling due after more than one year:				
Loan notes	**60,603**	60,603	**-**	-
Other debtors	**273**	324	**-**	-
Prepayments and accrued income	**64**	191	**-**	-
Deferred tax asset (note 17)	**2,757**	-	**-**	-
	63,697	61,118	**-**	-
	108,971	100,641	**877**	869

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 commercial rates, only in the event that Murray Sports Limited has sufficient accumulated distributable profits.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

14. Current asset investments

	Group 2002 £'000	Group 2001 £'000
Shares listed on UK stock exchange	**40**	48
Other current asset investments	**40**	40
	80	88

The market value of listed investments of the Group at 31 January 2002 was £40,000 (2001 - £48,000).

15. Creditors: Amounts falling due within one year

	Group 2002 £'000	Group 2001 £'000	**Company 2002 £'000**	Company 2001 £'000
Bank loans and overdrafts (secured)	**52,773**	24,642	**-**	-
Trade creditors	**38,551**	33,395	**-**	-
Finance lease and hire purchase obligations	**4,584**	4,676	**-**	-
Loan notes	**2,434**	70	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**41**	-
Amounts owed to related parties	**220**	513	**-**	-
UK corporation tax payable	**279**	478	**-**	-
Overseas tax payable	**196**	141	**-**	-
Other taxes and social security	**728**	891	**-**	-
VAT payable	**1,089**	1,344	**-**	-
Other creditors	**993**	1,110	**-**	-
Accruals and deferred income	**9,552**	9,651	**-**	-
Dividends payable				
- equity shareholders	**7,875**	7,875	**-**	-
- non-equity shareholders	**2,250**	2,625	**1,125**	1,125
Deferred purchase consideration	**4,000**	-	**-**	-
	125,524	87,411	**1,166**	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.

Deferred purchase consideration arises on the purchase of an investment property.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

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

	Group 2002 £'000	Group 2001 £'000
Finance lease and hire purchase obligations	**6,311**	9,476
Bank loans	**116,827**	87,663
Loan notes	**1,920**	1,990
	125,058	99,129

Loan notes of £1,700,000 are repayable at par on 31 January 2004 and bear interest at commercial rates. The remaining loan notes are repayable at par no later than 31 December 2006 and bear interest at commercial rates.

Repayments on total borrowings are due as follows:		
On demand or within 1 year	**59,791**	29,388
Between 1 and 2 years	**15,476**	4,482
Between 2 and 5 years	**88,782**	73,847
After 5 years	**20,800**	20,800
	184,849	128,517

Repayments on borrowings due after 5 years comprise bank loans of £20,800,000 (2001 - £20,800,000).

17. Provisions for liabilities and charges

	Group 2002 £'000	Group 2001 £'000 Restated
Provisions comprise:		
Deferred taxation	**-**	59
Other provisions	**563**	700
	563	759

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

Other provisions relate to land restoration for opencast mining. It is expected that this expenditure will be incurred within approximately 6 years.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

17. Provisions for liabilities and charges (continued)

The movement on provisions during the year comprises:	Deferred taxation		Other provisions	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Beginning of year as previously stated	**59**	367	**700**	736
Prior year adjustment (note 8)	**-**	(198)	**-**	-
Beginning of year (restated)	**59**	169	**700**	736
Credited to profit and loss account	**(2,816)**	(110)	**(137)**	(36)
	(2,757)	59	**563**	700

There is an unprovided deferred tax asset of £4,560,000 (2001 – £8,361,000).

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:	**2002** £'000	2001 £'000 Restated
Group		
Accelerated capital allowances	311	400
Other timing differences	(79)	(58)
Tax losses available	(2,989)	(278)
Capital gains	–	(5)
	(2,757)	**59**
Transferred to debtors (note 13)	**2,757**	**-**
Provision for deferred tax	**-**	59

18. Called-up share capital

	2002 £'000	2001 £'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:		
14,710,865 (2001 - 14,779,303) ordinary shares of 10p each - equity	**1,471**	1,478
15,000,000 cumulative redeemable preference shares of £1 each - non-equity	**15,000**	15,000
	16,471	16,478

Further to the shareholders' resolutions on 23 August 2001 and 21 November 2001, the Company purchased 68,438 ordinary shares with a nominal value of £6,844 and representing 0.46% of the Company's ordinary share capital for £789,775.

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 2002 (continued)

19. Reserves

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

	Group 2002 £'000	Group 2001 £'000 Restated	**Company 2002 £'000**	Company 2001 £'000
Distributable				
Profit and loss account as previously stated	**31,916**	29,306	**2,326**	3,526
Prior period adjustment (note 8)	**-**	198	**-**	-
Prior period adjustment minority interest (note 21)	**-**	(19)	**-**	-
Profit and loss account restated	**31,916**	29,485	**2,326**	3,526
Translation reserve	**89**	172	**-**	-
Non-distributable				
Consolidation reserve	**5,032**	5,032	**-**	-
Revaluation reserve	**919**	596	**-**	-
Share premium account	**19,868**	19,868	**-**	-
Capital redemption reserve	**15,015**	15,008	**15**	7
	72,839	70,161	**2,341**	3,533

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 2001 as previously stated	29,306	172	3,526
Prior period adjustment (note 8)	198	-	-
Prior period adjustment minority interest (note 21)	(19)	-	-
At 31 January 2001 restated	29,485	172	3,526
Profit (loss) for the year	3,391	-	(409)
Purchase of ordinary shares	(783)	-	(783)
Transfer to capital redemption reserve on purchase of ordinary shares	(7)	-	(8)
Goodwill reversal on disposals	160	-	-
Transfer to minority interest	(363)	-	-
Release of associates results	77	-	-
Other	(44)	-	-
Exchange adjustment	-	(83)	-
At 31 January 2002	**31,916**	**89**	**2,326**

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 Capital redemption reserve £'000**
At 31 January 2001	5,032	596	19,868	15,008	7
Transfer from profit and loss account on purchase of ordinary shares	-	-	-	7	8
Revaluation surplus	-	350	-	-	-
Release of associates share of revaluation reserve	-	(27)	-	-	-
At 31 January 2002	**5,032**	**919**	**19,868**	**15,015**	**15**

The cumulative amount of goodwill written off directly to Group reserves is £5,183,000 (2001 - £5,023,000). The cumulative amount of negative goodwill added to Group reserves is £7,270,000 (2001 - £7,270,000).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

20. Reconciliation of movement in shareholders' funds

	Group 2002 £'000	Group 2001 £'000	**Company 2002 £'000**	Company 2001 £'000
Total recognised gains and losses relating to the year as previously stated	**4,684**	1,706	**716**	923
Dividends to non-equity shares	**(1,125)**	(1,125)	**(1,125)**	(1,125)
Purchase of ordinary shares	**(790)**	(790)	**(790)**	(790)
Goodwill reversal on disposal of subsidiary	**-**	1	**-**	-
Reserve movements allocated to minority interests	**(363)**	-	**-**	-
Goodwill reversal on disposals	**160**	347	**-**	-
Exchange movements	**(251)**	-	**-**	-
Release of associates results brought forward	**77**	-	**-**	-
Release of associates share of revaluation reserve	**(27)**	-	**-**	-
Revaluation surplus	**350**	-	**-**	-
Other	**(44)**	-	**-**	-
Movement in shareholders' funds	**2,671**	139	**(1,199)**	(992)
Opening shareholders' funds as previously stated	**86,639**	86,302	**20,011**	21,003
Prior period adjustment	**-**	198	**-**	-
Opening shareholders funds (restated)	**86,639**	86,500	**20,011**	21,003
Movement in shareholders' funds	**2,671**	139	**(1,199)**	(992)
Closing shareholders' funds	**89,310**	86,639	**18,812**	20,011
Represented by:				
Equity interests	**74,310**	71,639	**3,812**	5,011
Non-equity interests	**15,000**	15,000	**15,000**	15,000
	89,310	86,639	**18,812**	20,011

21. Minority interests

	Equity interests £'000
At 31 January 2001 as previously stated	5,692
Prior period adjustment	19
At 31 January 2001 restated	5,711
Share of profit on ordinary activities after tax	1,884
Dividends paid or payable	(103)
Shares issued to minorities	931
Share of other reserve movements	19
Exchange movement	(1)
At 31 January 2002	**8,441**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

22. Analysis of cash flows

	Group 2002 £'000	Group 2001 £'000
(a) Returns on investments and servicing of finance		
Interest received	**307**	202
Interest paid	**(11,366)**	(5,106)
Interest element of finance lease and hire purchase rentals	**(1,007)**	(1,146)
Dividends received	**6**	44
Preference dividend paid	**(1,125)**	(1,045)
Dividends paid to minority interests	**(478)**	(50)
Net cash outflow	**(13,663)**	(7,101)
(b) Taxation		
UK corporation tax recovered (paid)	**(864)**	722
Overseas tax paid	**(583)**	(79)
Net cash (outflow) inflow	**(1,447)**	643
(c) Capital expenditure and financial investment		
Purchase of intangible fixed assets	**(727)**	(288)
Purchase of tangible fixed assets	**(70,437)**	(89,997)
Purchase of investments	**(529)**	(9,549)
Investment in joint venture	**(123)**	–
Repayment of loan by joint venture	**–**	2,000
Sale of tangible fixed assets	**1,417**	4,068
Foreign currency translation movements	**(22)**	(62)
Net cash outflow	**(70,421)**	(93,828)
(d) Acquisitions and disposals		
Purchase of subsidiary undertaking	**(192)**	(140)
Sale of subsidiary undertakings	**–**	364
Cash balances acquired	**39**	–
Overdraft acquired	**(746)**	–
Net overdraft of subsidiaries sold	**–**	3,724
Payments on termination of business	**–**	(216)
Net cash (outflow) inflow	**(899)**	3,732
(e) Financing		
Purchase of ordinary shares	**(790)**	(790)
Repayment of borrowings	**(20,295)**	(1,671)
Capital element of finance lease and hire purchase rental payments	**(4,841)**	(4,183)
New bank borrowings	**37,852**	78,492
Loan notes issued	**2,364**	-
Issue of shares of subsidiary undertakings to minority interests	**–**	52
Net cash inflow	**14,290**	71,900

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

23. Analysis of changes in net debt

	Start of year £'000	Cash flow £'000	Acquisitions and disposals £'000	Other non-cash changes £'000	End of year £'000
Cash at bank and in hand	2,795	183	–	–	2,978
Bank overdrafts	(12,766)	(39,565)	–	–	(52,331)
	(9,971)	(39,382)	–	–	(49,353)
Debt due after 1 year	(89,653)	(29,094)	–	–	(118,747)
Debt due within 1 year	(11,946)	9,173	(103)	–	(2,876)
Finance leases	(14,152)	4,841	(28)	(1,556)	(10,895)
Current asset investments	88	(8)	–	–	80
Net debt	**(125,634)**	**(54,470)**	**(131)**	**(1,556)**	**(181,791)**

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £1,556,000 (2001 - £7,229,000).

24. 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 2002 amounted to £65,260,000 (2001 - £51,170,000).

(b) The Group have made counter indemnities in favour of its bankers, Bank of Scotland, up to a sum of £4,273,000 (2001 - £4,273,000) 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 opencast 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:

Operating leases which expire:	**Group 2002 £'000**	Group 2001 £'000
Property		
- within 1 year	**97**	152
- within 2-5 years	**171**	336
- after 5 years	**1,149**	1,145
	1,417	1,633
Other		
- within 1 year	**340**	103
- within 2-5 years	**356**	624
- after 5 years	**-**	23
	696	750

(b) Capital commitments

Contracted but not provided for	**13,757**	4,819

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (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 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 2001. 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 £5,786,000 and that the actuarial value of those assets, on a discounted income basis, represented 85% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This deficit will be eliminated over the average remaining service life of the current active members. The contributions of the Group and employees 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.

(d) Additional Financial Reporting Standard 17 pension disclosures

Disclosures regarding the Group's defined benefit pension scheme are required under the transitional provisions of Financial Reporting Standard 17 – 'Retirement Benefits' and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of the Financial Reporting Standard in the year ended 31 January 2004.

The actuarial valuation described above has been updated at 31 January 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of Financial Reporting Standard 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

Assumptions	**As at 31 Jan 2002 %**
Rate of increase in salaries	4.0
Rate of increase in pensions in payment	2.5
Discount rate	5.6
Inflation assumption	2.5

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

	Long term rate of return expected at 31 January 2002 %	**Value at 31 January 2002 £'000**
Equities	7.50	5,659
Bonds	5.25	1,149
Property	4.50	525
Total market value of assets		7,333
Present value of scheme's liabilities		(10,748)
Liability in schemes		(3,415)
Related deferred tax liability		-
Net pension liability		(3,415)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2002 (continued)

25. Subsequent events

On 12th July 2002, the Group acquired the entire issued share capital of Multi Metals Limited.

26. 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 £4,943,000 (2001 - £3,905,000) were made to Murray Sports Limited and subsidiaries, related parties by virtue of common control. Purchases of £482,000 (2001 - £524,000) were made from Murray Sports Limited and subsidiaries. Sales of £323,000 (2001 - £198,000) were made to New Brannock Limited, a related party by virtue of common control. All transactions with related parties were conducted on an arms length basis. The amounts due from or to related parties are shown in notes 13 and 15.

27. Controlling party

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

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