

MURRAY

MURRAY
INTERNATIONAL
HOLDINGS
LIMITED

REPORT AND ACCOUNTS 2003

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY will be held at 9 Charlotte Square, Edinburgh EH2 4DR on 24 November 2003 at 11.00am to transact the following business:-

- 1 To receive and consider the Company's accounts for the year ended 31 January 2003 together with the reports of the directors and auditors thereon.
- 2 To re-appoint Deloitte & Touche as auditors for the ensuing year and to authorise the directors to fix their remuneration.
- 3 To ratify the appointment of David D. Murray as a director of the Company.

By Order of the Board

D.W.M. Horne, Secretary, 12 November 2003

Registered Office: 9 Charlotte Square,

Edinburgh EH2 4DR

Registration number: 192523

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

DIRECTORS AND PRINCIPAL ADVISERS

DIRECTORS D.E.Murray (Chairman)
J.D.G.Wilson, B.ACC., C.A.
I.B.Tudhope, LL.B.
K.A.Cockburn
D.D.Murray, B.A. (appointed 12 November 2003)
J.MacDonald, C.A. (resigned 30 April 2003)
Sir Angus Grossart, C.B.E., LL.D., D.L.
H.Rose, F.C.C.A., A.T.I.I.

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

REGISTERED OFFICE 9 Charlotte Square,
Edinburgh
EH2 4DR

AUDITORS Deloitte & Touche LLP,
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



I am pleased to report further improvement in our financial performance for the year under review. Turnover from continuing and acquired operations increased by 20%

from £221m to £266m. This confirms that we are continuing to grow despite internationally depressed economic conditions. More significantly however, pre-exceptional operating profit has increased by 29% from £15.7m to £20.2m. My desire for controlled profitable growth through focus and management has been well documented in previous statements and I am very encouraged that this is the fourth consecutive year in which there has been a substantial increase in the Group's operating performance. At the same time it establishes another benchmark to aim for next financial year.

I explained in my statement last year that new facilities had been secured with our principal banker, Bank of Scotland designed to accommodate our strategy for growth in the short to medium term. I am pleased to report that while our development continues to be financed from this increased facility coupled with operating cash generated, we have reduced our borrowing cost during the year. We have undoubtedly benefited from reduced short term interest rates but have also taken the opportunity to secure a large

proportion of the Group's medium term borrowings on favourable fixed rates.

As a result of all of the above, profit on ordinary activities before tax and exceptional items has increased by 86% from £5.1m to £9.5m.

Progress has been made across all our operating divisions, comprising Metals, Property, Mining and Waste Management and Private Equity, and there is good reason for confidence that this will continue during the current financial year. This will come from a combination of focussed activity and controlled growth which will again be underpinned by a combination of strong operational and financial management from within each division.

We have undertaken a review of the Group's investment in the Murray Sports Group, the value of which is derived from the underlying value of The Rangers Football Club plc. I have concluded that in line with many other companies and in accordance with Financial Reporting Standard 11 it would be appropriate to make an impairment adjustment of this asset as a result of the current downturn in the football market. It is my opinion that football sector values have been adversely affected on a number of fronts in recent years but we are beginning to see a stabilisation not only in the finances at the Club but also in the market in general, I consider an exceptional accounting adjustment to be prudent

at this time.

In conclusion, I remain extremely positive about our future prospects. I believe that although economic conditions are likely to remain uncertain in the short term, this will not preclude us from exploring the many exciting opportunities that present themselves to us on a regular basis.

A number of commentators have said recently that the Scots have lost their entrepreneurial spirit and that our “can do” approach has been replaced by a risk-averse attitude. In time, this could have potentially very serious implications for the long-term economic health of Scotland. We at Murray International continue to work against this trend and I firmly believe that the picture is not as gloomy as is sometimes

painted and that we do have the basis to create a vibrant and sustainable economy. I am however, concerned that certain aspects of the operating environment within Scotland do not always lend themselves to supporting an enterprise culture. While Scottish based companies should not necessarily expect hand-outs or preference, they should at least receive equality of treatment to that afforded to inward investors. At the same time they should be free from unnecessary red tape, which can only delay or frustrate development potential and consequential growth within the Scottish economy.

As ever, I extend my thanks and appreciation to all my employees and business colleagues for their help and support during the year.

David E. Murray
12 November 2003

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2003

The directors have pleasure in submitting their report on the affairs of the Group, together with the accounts and independent auditors' report for the year ended 31 January 2003.

PRINCIPAL TRADING DIVISIONS AND BUSINESS REVIEW

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

RESULTS AND DIVIDENDS

Details of the results for the year are contained in the consolidated profit and loss account on page 9. Further information in respect of dividends paid and proposed by the Company is set out in note 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 2003	31 January 2002
D.E. Murray	9,371,577	9,371,577
J. MacDonald (resigned 30 April 2003)	86,671	86,671
I.B. Tudhope	63,169	63,169
J.D.G. Wilson	63,169	63,169
K.A. Cockburn	Nil	Nil
Sir Angus Grossart	Nil	Nil
H. Rose	Nil	Nil

Subsequent to 31 January 2003, J. MacDonald disposed of 86,671 shares.

Sir Angus Grossart is a director of Noble Grossart Investments Limited which owns 5.5% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDINGS

At 31 January 2003 Ueberior Investments plc, a wholly owned subsidiary of Bank of Scotland, owned 11.4% of the issued share capital of the Company.

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

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

CHARITABLE CONTRIBUTIONS

The Group contributed £189,000 (2002 - £152,000) to local charitable organisations.

SHARE OPTIONS

Three of the directors have share options as part of a long-term incentive plan. No options were exercised during the current or prior year.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

DIRECTORS' RESPONSIBILITIES

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

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

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

AUDITORS

On 1 August 2003, Deloitte & Touche, the Group's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Group's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

D.W.M. Horne
Secretary

9 Charlotte Square,
Edinburgh,
EH2 4DR

12 November 2003

INDEPENDENT AUDITORS' REPORT

DELOITTE & TOUCHE LLP

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

We have audited the accounts of Murray International Holdings Limited for the year ended 31 January 2003 which comprise the profit and loss account, the balance sheets, the statement of total recognised gains and losses, the cash flow statement and the related notes 1 to 26. These accounts have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh

12 November 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2003

		2003	2003	2003	2002
		Before Exceptional	Exceptional	Results for	Results for
		Items	Items	the Year	the Year
	NOTE	£'000	£'000	£'000	£'000
TURNOVER					
Acquired operations		8,564	-	8,564	-
Continuing operations		257,930	-	257,930	221,474
	2	266,494	-	266,494	221,474
Cost of sales	3(a)	(206,542)	-	(206,542)	(173,472)
GROSS PROFIT					
		59,952	-	59,952	48,002
Other operating expenses (net)	3(b)	(39,729)	-	(39,729)	(32,267)
Write down of loan note	3(d)/12	-	(7,645)	(7,645)	-
OPERATING PROFIT					
Acquired operations		131	-	131	-
Continuing operations		20,092	(7,645)	12,447	15,735
		20,223	(7,645)	12,578	15,735
Share of associates' and joint ventures operating (loss) / profit		(75)	-	(75)	86
Write down of investment	4(a)/10	-	(4,217)	(4,217)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST					
		20,148	(11,862)	8,286	15,821
Investment income	4(b)	126	-	126	141
Interest payable and similar charges	4(c)	(10,795)	-	(10,795)	(10,903)
(LOSS) /PROFIT ON ORDINARY ACTIVITIES BEFORE TAX					
		9,479	(11,862)	(2,383)	5,059
Tax on (loss) / profit on ordinary activities	6	(2,004)	-	(2,004)	1,341
(LOSS) /PROFIT ON ORDINARY ACTIVITIES AFTER TAX					
		7,475	(11,862)	(4,387)	6,400
Minority interests	20	(2,263)	-	(2,263)	(1,884)
(LOSS) /PROFIT FOR FINANCIAL YEAR					
		5,212	(11,862)	(6,650)	4,516
Dividend paid and proposed on equity shares	7	(1,180)	-	(1,180)	-
Dividends paid and proposed on non-equity shares	7	(1,125)	-	(1,125)	(1,125)
(LOSS) /PROFIT TRANSFERRED TO RESERVES					
		2,907	(11,862)	(8,955)	3,391

Historical cost profit on ordinary activities before taxation equates to the reported profit on ordinary activities before taxation.
The accompanying notes form an integral part of this consolidated profit and loss account.

MURRAY INTERNATIONAL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2003

	2003	2002
	£'000	£'000
(Loss)/profit for the financial year before dividends	(6,650)	4,516
Currency translation adjustments	(1,026)	168
Total recognised gains and losses	(7,676)	4,684
Prior period adjustment	-	198
Total gains and losses recognised since last financial statements	(7,676)	4,882

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

BALANCE SHEETS
AS AT 31 JANUARY 2003

	NOTE	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
FIXED ASSETS					
Tangible assets	8	176,810	186,641	-	-
Intangible assets	9	4,605	2,707	-	-
Investments	10	7,452	11,882	1,485	1,485
		188,867	201,230	1,485	1,485
CURRENT ASSETS					
Stocks	11	35,948	35,637	-	-
Debtors: Amounts falling due within one year	12	61,358	45,274	847	877
Debtors: Amounts falling due after more than one year	12	55,202	63,697	-	-
Investments	13	40	80	-	-
Cash at bank and in hand		3,172	2,978	17,101	17,616
		155,720	147,666	17,948	18,493
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(150,476)	(121,524)	(2,346)	(1,166)
NET CURRENT ASSETS		5,244	26,142	15,602	17,327
TOTAL ASSETS LESS CURRENT LIABILITIES		194,111	227,372	17,087	18,812
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(104,474)	(129,058)	-	-
PROVISIONS FOR LIABILITIES AND CHARGES	16	(591)	(563)	-	-
NET ASSETS		89,046	97,751	17,087	18,812
CAPITAL AND RESERVES					
Called-up share capital	17	16,471	16,471	16,471	16,471
Consolidation reserve	18	5,032	5,032	-	-
Revaluation reserve	18	919	919	-	-
Share premium account	18	19,868	19,868	-	-
Capital redemption reserve	18	15,015	15,015	15	15
Profit and loss account	18	23,030	31,916	601	2,326
Translation reserve	18	(937)	89	-	-
SHAREHOLDERS' FUNDS, including non-equity interests	19	79,398	89,310	17,087	18,812
MINORITY INTERESTS	20	9,648	8,441	-	-
TOTAL CAPITAL EMPLOYED		89,046	97,751	17,087	18,812
SHAREHOLDERS' FUNDS may be analysed as:					
Equity interests	19	64,398	74,310	2,087	3,812
Non-equity interests	19	15,000	15,000	15,000	15,000
		79,398	89,310	17,087	18,812

Signed on behalf of the Board on 12 November 2003

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

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

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2003

	NOTE	2003 £'000	2002 £'000
CASH FLOW STATEMENT			
Net cash inflow from operating activities		61,888	32,758
Returns on investments and servicing of finance	21(a)	(13,005)	(13,663)
Taxation	21(b)	(1,808)	(1,447)
Capital expenditure and financial investment	21(c)	(40,105)	(70,421)
Acquisitions and disposals	21(d)	(1,405)	(899)
Equity dividends paid	21(e)	(7,875)	-
Cash outflow before financing		(2,310)	(53,672)
Financing	21(f)	(28,389)	14,290
Decrease in cash during the year		(30,699)	(39,382)
RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS			
Operating profit		12,578	15,735
Depreciation charges		7,506	5,430
Write down of loan notes		7,645	-
Original cost of freehold, development and investment property disposals		45,921	19,486
Amortisation of intangible assets		395	223
Profit on sale of tangible assets		(102)	(282)
Profit on sale of investments		(12)	-
(Write back) / write down value of investments		(336)	336
Decrease / (increase) in stocks		2,881	(10,040)
Increase in debtors		(13,356)	(5,596)
Decrease in current asset investments		40	8
(Decrease) / increase in creditors		(287)	7,644
Increase / (decrease) in land restoration provision		28	(137)
Write back of goodwill on disposal of properties		13	10
Other reserve movements		(1,026)	(59)
Net cash inflow from operating activities		61,888	32,758
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 22)			
Decrease in cash in the year		(30,699)	(39,382)
Cash outflow/(inflow) from debt and lease financing		28,389	(15,080)
Change in net debt resulting from cash flows		(2,310)	(54,462)
New finance leases		(2,738)	(1,556)
Decrease in current asset investments		(40)	(8)
Debt acquired with purchase of subsidiary undertaking		(3,362)	(131)
Movement in net debt in the year		(8,450)	(56,157)
Net debt at beginning of year		(181,791)	(125,634)
Net debt at end of year		(190,241)	(181,791)

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2003

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 2003. 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 £1,725,000 (2002 - loss of £409,000) 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 2003 (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 land and buildings	10-50 years
Leasehold properties	4-5 years/over period of lease
Plant and equipment	5-25 years
Fixtures and fittings	4-10 years
Motor vehicles	2-5 years

No depreciation is provided on freehold land.

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

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

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. Development costs are not depreciated until individual projects are complete. 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) Long term contracts: Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provisions for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

(i) Current asset investments: Listed investments are 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.

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profit and its results as stated in the accounts that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the accounts. The amount of all deferred tax, including that which will probably not reverse, is set out in note 16.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

1. Accounting policies (continued)

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

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

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

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

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

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

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

Further information on pension costs is provided in note 23.

(m) 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.

(n) Leases: Assets held under finance leases and hire purchase contracts are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after 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.

(o) Revaluation reserve: Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable revaluation reserve. The revaluation reserve is shown in note 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

2. Segment information

Contributions to Group turnover are as follows:

	2003 Acquired £'000	2003 Continuing £'000	2003 Total £'000	2002 All Continuing £'000
By activity:				
Metals	8,564	142,061	150,625	142,130
Property	-	69,529	69,529	38,481
Mining	-	18,186	18,186	16,412
Corporate finance and private investment	-	28,154	28,154	24,451
	<u>8,564</u>	<u>257,930</u>	<u>266,494</u>	<u>221,474</u>
By geographical destination:				
United Kingdom			213,269	176,467
Outwith the United Kingdom			53,225	45,007
			<u>266,494</u>	<u>221,474</u>
By geographical origin:				
United Kingdom			219,921	181,423
Outwith the United Kingdom			46,573	40,051
			<u>266,494</u>	<u>221,474</u>

3. Operating profit

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

	2003 Continuing £'000	2003 Acquired £'000	2003 Total £'000	2002 All continuing £'000
(a) Cost of sales	199,715	6,827	206,542	173,472
(b) Other operating expenses (net)				
Distribution costs	10,783	976	11,759	11,014
Administrative expenses	27,340	630	27,970	21,253
	<u>38,123</u>	<u>1,606</u>	<u>39,729</u>	<u>32,267</u>
(c) Miscellaneous			2003 £'000	2002 £'000
Depreciation and amounts written off tangible fixed assets				
- owned assets			4,034	2,696
- held under finance leases and hire purchase contracts			3,472	2,734
Amortisation of goodwill and other intangible fixed assets			395	223
Goodwill reversal on disposal of properties			13	10
Operating lease rentals				
- property			912	719
- other			548	716
Auditors' remuneration				
- audit services			230	217
- non-audit services			10	16
Profit on sale of tangible fixed assets			(102)	(282)
Gain on sale of investments			(12)	-
Impairment of investment property			(336)	336
			<u>7,645</u>	<u>-</u>
(d) Exceptional item: write down of loan notes				

The write down of the loan notes relates to the Group's loan notes due from Murray Sports Limited, a related party by virtue of common control.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

4. Profit on ordinary activities before taxation

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

	2003	2002
	£'000	£'000
(a) Exceptional items: write down of investment		
The exceptional item in the year ended 31 January 2003 relates to the creation of a provision against the Group's investment in the ordinary share capital of Murray Sports Limited, a related party by virtue of common control.	4,217	-
(b) Investment income		
Income from fixed asset investments	16	6
Interest receivable and similar income	110	135
	126	141
(c) Interest payable and similar charges		
Bank loans and overdrafts	10,370	10,357
Finance leases and hire purchase contracts	771	1,007
Other loans	78	159
	11,219	11,523
Interest capitalised on development properties	(424)	(620)
	10,795	10,903

Interest capitalised is based on normal commercial rates.

5. Staff costs

	2003	2002
	£'000	£'000
Employee costs during the year amounted to:		
Wages and salaries	22,991	20,998
Social security costs	2,014	1,672
Pension costs	2,914	1,389
Contributions to remuneration trust	2,721	1,233
	30,640	25,292

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

	2003	2002
	Number	Number
The average monthly number of employees during the year, including executive directors, was as follows:		
Production and sales	1,639	1,269
Administration	300	265
	1,939	1,534

	2003	2002
	£'000	£'000
Directors' remuneration during the year amounted to:		
Fees	129	122
Emoluments	1,392	1,344
Contributions to money purchase pension schemes	2,129	689
	3,650	2,155

	2003	2002
	£'000	£'000
The directors' remuneration shown above included the following in respect of the highest paid director:		
Emoluments	776	783
Contributions to money purchase pensions schemes	1,823	95
	2,599	878

	2003	2002
	Number	Number
The number of directors who were members of pension schemes was as follows:		
Money purchase schemes	4	4

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

6. Tax on (loss)/profit on ordinary activities	2003	2002
	£'000	£'000
Current tax:		
UK corporation tax	816	795
Overseas tax	694	729
Double tax relief	(87)	(139)
	1,423	1,385
Adjustments in respect of prior years - UK corporation tax	(75)	12
Adjustments in respect of prior years - Foreign tax	(50)	-
Total current tax charge	1,298	1,397
Deferred tax:		
Origination and reversal of timing differences	501	154
Decrease/(increase) in estimate of recoverable deferred tax asset	276	(2,970)
UK deferred tax (note 16)	777	(2,816)
Overseas deferred tax	-	61
Total deferred tax charge/(credit)	777	(2,755)
Share of associate's tax (credit)/charge	(71)	17
Total tax charge/(credit) on (loss)/profit on ordinary activities	2,004	(1,341)
The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:		
	2003	2002
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(2,383)	5,059
Add/less: share of associates profit/(loss) before tax	75	(86)
Group (loss)/profit on ordinary activities before tax	(2,308)	4,973
Tax on Group (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2002 - 30%)	(692)	1,492
Effects of:		
Income not taxable net of expenses not deductible for tax purposes	1,224	(150)
Capital allowances in excess of depreciation	(397)	(120)
Utilisation of tax losses	(779)	(419)
Capital gains	1,447	508
Adjustments for long accounting periods/acquisitions	8	(102)
Adjustments to tax charge in respect of previous periods	(125)	12
Adjustments for overseas tax	45	320
Double tax relief	(87)	(139)
Dividends from UK companies	(5)	(5)
Short term timing differences	659	-
Group current tax charge for year	1,298	1,397

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

7. Dividends paid and proposed	2003	2002
	£'000	£'000
Non-equity shares:		
Interim dividend proposed of 7.5p (2002 - 7.5p) per share	1,125	1,125
Equity share	2003	2002
	£'000	£'000
Final dividend proposed of 20.5p (2002 - nil) per share	1,180	-

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

8. Tangible fixed assets

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

	2003	2002
	£'000	£'000
Group		
Land and buildings		
Freehold	35,986	16,708
Leasehold	12,339	3,204
Development properties	15,561	24,206
Investment properties	90,313	117,512
Plant, equipment and vehicles	21,912	22,915
Assets in the course of construction	699	2,096
	176,810	186,641

The movement in the year was as follows:

	Land and buildings				Plant Assets in the		
Group	Freehold	Leasehold	Development	Investment	equipment	course of	Total
	£'000	£'000	properties	properties	& vehicles	construction	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:							
At 31 January 2002	17,696	3,525	24,206	117,848	41,048	2,096	206,419
Additions	20,012	1,050	6,493	3,248	4,769	7,036	42,608
Acquisitions of subsidiary undertakings	215	105	-	-	817	-	1,137
Transfers	21	8,409	-	-	3	(8,433)	-
Disposals	(121)	-	(15,138)	(30,783)	(1,227)	-	(47,269)
Exchange adjustments	(46)	-	-	-	(124)	-	(170)
At 31 January 2003	37,777	13,089	15,561	90,313	45,286	699	202,725
Depreciation:							
At 31 January 2002	988	321	-	336	18,133	-	19,778
Charge for the year:							
- owned assets	826	429	-	-	2,779	-	4,034
- HP/leased assets	-	-	-	-	3,472	-	3,472
Disposals	(12)	-	-	(336)	(901)	-	(1,249)
Exchange adjustments	(11)	-	-	-	(109)	-	(120)
At 31 January 2003	1,791	750	-	-	23,374	-	25,915
Net book value at 31 January 2003	35,986	12,339	15,561	90,313	21,912	699	176,810
Net book value at 31 January 2002	16,708	3,204	24,206	117,512	22,915	2,096	186,641
Leased assets included in the above:							
Net book value at 31 January 2003	-	-	-	-	13,813	-	13,813
Net book value at 31 January 2002	-	-	-	-	14,679	-	14,679

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 2003. In accordance with SSAP19, the investment properties are not depreciated. The valuation was undertaken by an officer of the Group who is a qualified chartered surveyor. The valuation was made in full compliance with RICS Appraisal and Valuation Manual. Prior to acquisition, all investment properties are externally valued.

The historic cost of investment properties at the year end was £89,394,000 (2002 - £116,593,000).

Cumulative interest capitalised included in the cost of the development properties leasehold land and buildings amounts to £1,501,000 (2002 - £1,692,000).

The Company has no tangible fixed assets (2002 - nil).

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

	Land and buildings	2003 Plant equipment and vehicles	Assets in the course of construction	Land and buildings	2002 Plant equipment and vehicles	Assets in the course of construction
	£'000	£'000	£'000	£'000	£'000	£'000
Professionally valued	90,253	-	-	117,788	-	-
At cost	66,487	45,286	699	45,487	41,048	2,096
Cost or valuation at 31 January	156,740	45,286	699	163,275	41,048	2,096

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

9. Intangible fixed assets

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

	Group 2003 £'000	Group 2002 £'000
Consolidation goodwill	3,150	1,669
Other intangible fixed assets	1,455	1,038
	4,605	2,707

The movement in the year was as follows:

	Other intangible fixed assets £'000	Consolidation goodwill £'000	Total £'000
Cost:			
At 31 January 2002	1,127	5,507	6,634
Additions	506	1,787	2,293
At 31 January 2003	1,633	7,294	8,927
Amortisation:			
At 31 January 2002	89	3,838	3,927
Charge for the year	89	306	395
At 31 January 2003	178	4,144	4,322
Net book value at 31 January 2003	1,455	3,150	4,605
Net book value at 31 January 2002	1,038	1,669	2,707

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

Additions of other intangible fixed assets represent database development costs which are not currently amortised.

Included in the additions of consolidation goodwill is £1,454,000 of goodwill relating to the acquisition of the MCG Holdings group.

The Company has no intangible fixed assets (2002 - nil)

10. Fixed asset investments

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

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Subsidiary undertakings	-	-	1,485	1,485
Associated undertakings and joint ventures	1,118	1,164	-	-
Other investments	6,334	10,718	-	-
	7,452	11,882	1,485	1,485

The movement in the year was as follows:

	Group Associated undertakings and joint ventures £'000	Group Other investments £'000	Company Subsidiary undertakings £'000
Cost:			
At 31 January 2002	1,164	10,718	1,485
Additions	-	98	-
Repayment of loan	(42)	-	-
Disposals	-	(265)	-
Share of retained loss for the year	(4)	-	-
At 31 January 2003	1,118	10,551	1,485
Provision for impairment:			
Amounts written off	-	4,217	-
	-	4,217	-
Net book value at 31 January 2003	1,118	6,334	1,485
Net book value at 31 January 2002	1,164	10,718	1,485

During the year the Group disposed of its investment in Redcam Limited.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

10. Fixed asset investments (continued)

Subsidiary undertakings:

The principal trading subsidiary undertakings of the Company at 31 January 2003 were as follows:

	Country of incorporation	Principal activity	Percentage control by Group at 31 January 2003
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
Austin Trumanns Scotland 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
Multi Metals Limited	United Kingdom	Metal stockholding and processing	100
The Premier Property Group Limited	United Kingdom	Property development and investment	100
PPG Metro Limited	United Kingdom	Property investment	52
PPG Land Limited	United Kingdom	Property development	100
G M Mining Limited	United Kingdom	Opencast mining	60
Eden Waste Recycling Limited	United Kingdom	Waste recycling	57
Charlotte Ventures Limited	United Kingdom	Corporate finance and private investment	100
Response Handling Limited	United Kingdom	Contact centre	95
Azure Support Services Limited	United Kingdom	Catering services	70
Vida Sports Limited	United Kingdom	5-a-side football facilities	92
Carnegie Information Systems Limited	United Kingdom	IT consultancy and related services	95
Carnegie Sports International NZ Limited	New Zealand	Sports marketing and management	85
November Leisure Limited	United Kingdom	Food and beverage outlets	100

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

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

Purchase of subsidiary undertakings:

On 12th July 2002 the Group acquired 100% of the ordinary share capital of MCG Holdings Limited and its subsidiary undertaking, Multi Metals Limited. The fair value of the net assets was not materially different from the book value. The net assets and related purchase consideration was as follows:

	MCG Holdings Group £'000
Tangible assets	648
Intangible assets	1,454
Current assets	5,506
Creditors due within one year	(4,659)
Creditors due after more than one year	(2,949)
Net assets acquired	-----
Purchase consideration	-----

The MCG Holdings group earned a profit of £300,000 in the post acquisition period ended 31 January 2003. Pre-acquisition the group made neither a profit nor a loss.

During the year the Group also acquired 57% of Malcolm McNeill Limited which had net assets on acquisition of £365,000.

The cash flow effect of the above acquisitions is shown in note 21(d).

Associated undertakings and joint ventures:

The associated undertakings and joint ventures of the Group at 31 January 2003 were as follows:

	Percentage of ordinary shares held at 31 January 2003
Kilmartin PPG (Strand) Limited	38
Haymarket Court Limited	50
Haymarket Yards Limited**	50
Take Two Developments Limited	50

** Held indirectly through joint venture undertaking

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 £543,000 (2002 - £585,000) and goodwill of £480,000 (2002 - £480,000). Goodwill in respect of such project specific joint ventures is not amortised, but is subject to annual impairment reviews.

The year end for each of Haymarket Court Limited and Haymarket Yards Limited year end is 31 July.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

10. Fixed asset investments (continued)

The following information is given in respect of the Group's share of all joint ventures and associates:	2003	2002
	£'000	£'000
Gross assets	11,433	7,453
Gross liabilities	(11,342)	(7,391)
Net assets	91	62

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 \$20,000, 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. In the current year a provision against the investment of £4,217,000 has been made. The impairment of the investment was determined in accordance with Financial Reporting Standard 11 : Impairment of fixed assets and goodwill to ensure that the assets were stated at no more than their recoverable amounts, being the higher of net realisable value and value in use. The impairment restates the assets to value in use and was determined using a discount rate of 6.6%. Also included are 117,000 shares in The Rangers Football Club plc purchased for a total consideration of £227,000. Murray Sports Limited and The Rangers Football Club plc are related parties by virtue of common control.

11. Stocks

	Group	Group
	2003	2002
	£'000	£'000
Goods for resale	32,756	33,142
Raw materials	1,870	2,178
Work in progress	408	317
Long-term contract balances	914	-
	35,948	35,637

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

12. Debtors

	Group	Group	Company	Company
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	44,672	36,635	-	-
Amounts owed by subsidiary undertakings	-	-	696	727
Amounts owed by related parties	8,686	940	-	-
UK corporation tax recoverable	8	-	-	-
UK income tax recoverable	15	-	-	-
VAT recoverable	302	2,537	-	-
Overseas tax recoverable	162	39	-	-
Other debtors	3,038	1,726	-	-
Amounts recoverable on contracts	423	-	-	-
Prepayments and accrued income	4,052	3,397	151	150
	61,358	45,274	847	877
Amounts falling due after more than one year:				
Loan notes	52,958	60,603	-	-
Other debtors	289	273	-	-
Prepayments and accrued income	10	64	-	-
Deferred tax asset (note 16)	1,945	2,757	-	-
	55,202	63,697	-	-
	116,560	108,971	847	877

The loan notes were issued by Murray Sports Limited, a related party by virtue of common control. 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. In the current year a provision against the loan notes of £7,645,000 was made.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

13. Current asset investments

	Group 2003 £'000	Group 2002 £'000
Shares listed on UK stock exchange	-	40
Other current asset investments	40	40
	40	80

The market value of listed investments of the Group at 31 January 2003 was nil (2002 - £40,000)

14. Creditors: Amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank overdrafts (secured)	83,224	52,331	-	-
Bank loans (secured)	996	442	-	-
Trade creditors	36,939	38,551	-	-
Finance lease and hire purchase obligations	3,648	4,584	-	-
Loan notes	5,111	2,434	-	-
Amounts owed to subsidiary undertakings	-	-	1,221	41
Amounts owed to related parties	-	220	-	-
UK corporation tax payable	-	279	-	-
Overseas tax payable	88	196	-	-
Other taxes and social security	670	728	-	-
VAT payable	2,623	1,089	-	-
Other creditors	2,268	993	-	-
Accruals and deferred income	12,604	9,552	-	-
Dividends payable				
- equity shareholders	1,180	7,875	-	-
- non-equity shareholders	1,125	2,250	1,125	1,125
	150,476	121,524	2,346	1,166

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

(a) fixed securities on certain properties and

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

Bank loans bear interest at commercial rates.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

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

	Group 2003 £'000	Group 2002 £'000
Finance lease and hire purchase obligations	4,302	6,311
Bank loans	95,987	116,827
Loan notes	185	1,920
Deferred purchase consideration	4,000	4,000
	104,474	129,058

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

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:

	Group 2003 £'000	Group 2002 £'000
Bank loans		
On demand or within 1 year	996	442
Between 1 and 2 years	9,993	12,370
Between 2 and 5 years	65,658	83,657
After 5 years	20,336	20,800
	96,983	117,269
Loan notes		
On demand or within 1 year	5,111	2,434
Between 2 and 5 years	185	1,920
	5,296	4,354
Finance leases and hire purchase obligations		
On demand or within 1 year	3,648	4,584
Between 1 and 2 years	2,614	3,107
Between 2 and 5 years	1,688	3,204
	7,950	10,895
Deferred purchase consideration		
Between 1 and 2 years	4,000	4,000
Total borrowings		
On demand or within 1 year	92,979	59,791
Between 1 and 2 years	16,607	19,477
Between 2 and 5 years	67,531	88,781
After 5 years	20,336	20,800
	197,453	188,849

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

16. Provisions for liabilities and charges

	Group 2003 £'000	Group 2002 £'000
Provisions comprise:		
Deferred taxation	-	-
Other provisions	591	563
	591	563

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.

The movement on provisions during the year comprises:

	Deferred taxation		Other provisions	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Beginning of year	(2,757)	59	563	700
Charged/(credited) to profit and loss account	777	(2,816)	28	(137)
Adjustment in respect of acquisition of subsidiary undertaking	35	-	-	-
	(1,945)	(2,757)	591	563

There is an unprovided deferred tax asset of £5,127,000 (2002 – £4,560,000).

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.

	2003 £'000	2002 £'000
Deferred tax is provided as follows:		
Group		
Accelerated capital allowances	783	311
Other timing differences	(138)	(79)
Tax losses available	(2,590)	(2,989)
	(1,945)	(2,757)
Transferred to debtors (note 12)	1,945	2,757
Provision for deferred tax	-	-

17. Called-up share capital

	2003 £'000	2002 £'000
Authorised:		
15,000,000 ordinary shares of 10p each - equity	1,500	1,500
15,000,000 7.5% cumulative redeemable preference shares of £1 each - non-equity	15,000	15,000
	16,500	16,500
Issued and fully paid:		
14,710,865 (2002 - 14,710,865) ordinary shares of 10p each - equity	1,471	1,471
15,000,000 7.5% cumulative redeemable preference shares of £1 each - non-equity	15,000	15,000
	16,471	16,471

On 29 May 2003, the dividend on the cumulative redeemable preference shares changed from 7.5% to 5.125%.

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

18. Reserves

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

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Distributable				
Profit and loss account	23,030	31,916	601	2,326
Translation reserve	(937)	89	-	-
Non-distributable				
Consolidation reserve	5,032	5,032	-	-
Investment property revaluation reserve	919	919	-	-
Share premium account	19,868	19,868	-	-
Capital redemption reserve	15,015	15,015	15	15
	62,927	72,839	616	2,341

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 2002	31,916	89	2,326
Loss for the year	(8,955)	-	(1,725)
Goodwill reversal on disposals	13	-	-
Transfer to minority interest	244	-	-
Exchange loss on share buy back	(188)	-	-
Exchange adjustment	-	(1,026)	-
At 31 January 2003	23,030	(937)	601

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 2002 and 2003	5,032	919	19,868	15,015	15

The cumulative amount of goodwill written off directly to Group reserves is £5,170,000 (2002 - £5,183,000). The cumulative amount of negative goodwill added to Group reserves is £7,270,000 (2002 - £7,270,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

19. Reconciliation of movement in shareholders' funds

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Total recognised gains and losses relating to the year	(7,676)	4,684	580	716
Dividends to non-equity shareholders	(1,125)	(1,125)	(1,125)	(1,125)
Dividends to equity shareholders	(1,180)	-	(1,180)	-
Purchase of ordinary shares	-	(790)	-	(790)
Reserve movements allocated to minority interests	244	(363)	-	-
Goodwill reversal on disposals	13	160	-	-
Exchange movements	-	(251)	-	-
Release of associates results brought forward	-	77	-	-
Release of associates share of revaluation reserve	-	(27)	-	-
Exchange loss on share buy back	(188)	-	-	-
Revaluation surplus	-	350	-	-
Other	-	(44)	-	-
	-----	-----	-----	-----
Movement in shareholders' funds	(9,912)	2,671	(1,725)	(1,199)
Opening shareholders' funds	89,310	86,639	18,812	20,011
	-----	-----	-----	-----
Closing shareholders' funds	79,398	89,310	17,087	18,812
	-----	-----	-----	-----
Represented by:				
Equity interests	64,398	74,310	2,087	3,812
Non-equity interests	15,000	15,000	15,000	15,000
	-----	-----	-----	-----
	79,398	89,310	17,087	18,812
	-----	-----	-----	-----

20. Minority interests

	Equity interests £'000
At 31 January 2002	8,441
Share of profit on ordinary activities after tax	2,263
Dividends paid or payable	(432)
Shares issued to minorities	(91)
Minorities purchased	(415)
Share of other reserve movements	(123)
Exchange movement	5

At 31 January 2003	9,648

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

21. Analysis of cash flows

	Group 2003 £'000	Group 2002 £'000
(a) Returns on investments and servicing of finance		
Interest received	21	307
Interest paid	(9,589)	(11,366)
Interest element of finance lease and hire purchase rentals	(771)	(1,007)
Dividends received	16	6
Preference dividend paid	(2,250)	(1,125)
Dividends paid to minority interests	(432)	(478)
Net cash outflow	(13,005)	(13,663)
(b) Taxation		
UK corporation tax paid	(933)	(864)
Overseas tax paid	(875)	(583)
Net cash outflow	(1,808)	(1,447)
(c) Capital expenditure and financial investment		
Purchase of intangible fixed assets	(641)	(727)
Purchase of tangible fixed assets	(39,870)	(70,437)
Purchase of investments	(98)	(529)
Investment in joint venture	-	(123)
Repayment of loan by joint venture	42	-
Sale of tangible fixed assets	201	1,417
Sale of investments	261	-
Foreign currency translation movements	-	(22)
Net cash outflow	(40,105)	(70,421)
(d) Acquisitions and disposals		
Purchase of subsidiary undertaking	(526)	(192)
Cash balances acquired	3	39
Overdraft acquired	(882)	(746)
Net cash outflow	(1,405)	(899)
(e) Equity dividends paid	(7,875)	-
(f) Financing		
Purchase of ordinary shares	-	(790)
Repayment of borrowings	(24,061)	(20,295)
Repayment of loan notes	(70)	-
Capital element of finance lease and hire purchase rental payments	(6,066)	(4,841)
New bank borrowings	796	37,852
Loan notes issued	1,012	2,364
Net cash (outflow)/inflow	(28,389)	14,290

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (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	2,978	194	-	-	3,172
Bank overdrafts	(52,331)	(30,893)	-	-	(83,224)
	(49,353)	(30,699)	-	-	(80,052)
Debt due after 1 year	(118,747)	25,349	(2,774)	-	(96,172)
Debt due within 1 year	(2,876)	(3,026)	(205)	-	(6,107)
Finance leases	(10,895)	6,066	(383)	(2,738)	(7,950)
Current asset investments	80	-	-	(40)	40
Net debt	(181,791)	(2,310)	(3,362)	(2,778)	(190,241)

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 £2,738,000 (2002 - £1,556,000).

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 2003 amounted to £139,894,000 (2002 - £97,215,000).
- (b) The Group have made counter indemnities in favour of its bankers, Bank of Scotland, up to a sum of £4,114,000 (2002 - £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:

	Group 2003 £'000	Group 2002 £'000
Operating leases which expire:		
Property		
- within 1 year	286	97
- within 2-5 years	443	171
- after 5 years	449	1,149
	1,178	1,417
Other		
- within 1 year	208	340
- within 2-5 years	278	356
- after 5 years	47	-
	533	696
(b) Capital commitments		
Contracted but not provided for	3,828	13,757

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (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 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 14% of earnings.

The Group also operates defined contributions schemes with regard to certain employees under which all benefits are restricted to the funds available. The assets of the scheme are held independently of the Group by insurance companies. All contributions are charged to the profit and loss account in the month in which they are incurred.

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 second 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 2005.

The actuarial valuation described above has been updated at 31 January 2003 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 2003	As at 31 Jan 2002
	%	%
Rate of increase in salaries	4.0	4.0
Rate of increase in pensions in payment	2.5	2.5
Rate of revaluation of deferred pensions in excess of guaranteed minimum pension	2.5	2.5
Discount rate	5.4	5.6
Inflation assumption	2.5	2.5

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

	Long term rate of return expected at 31 January 2003	Value at 31 January 2003	Long term rate of return expected at 31 January 2002	Value at 31 January 2002
	%	£'000	%	£'000
Equities	7.50	4,758	7.50	5,659
Bonds	5.25	876	5.25	1,149
Other	4.50	330	4.50	525
Property	7.50	280	7.50	-
Total market value of assets		6,244		7,333
Present value of scheme's liabilities		(12,642)		(10,748)
Liability in schemes		(6,398)		(3,415)
Related deferred tax liability		-		-
Net pension liability		(6,398)		(3,415)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

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

Analysis of the amount that would have been charged to operating profit under Financial Reporting Standard 17

	Year ending 31 Jan 2003 £'000
Current service cost	645
Past service cost	-
Loss on settlements and curtailments	(77)
	568

Analysis of the amount that would have been credited to net finance income under Financial Reporting Standard 17

	Year ending 31 Jan 2003 £'000
Expected return on pension scheme assets	534
Interest on pension scheme liabilities	(609)
	(75)

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

	Year ending 31 Jan 2003 £'000
Actual return less expected return on pension scheme assets	(2,400)
Experience gains and losses arising on the scheme liabilities	75
Changes in assumptions underlying the present value of the scheme liabilities	(758)
	(3,083)

	£'000
Movement in deficit during the year	
Deficit in scheme at 31 Jan 2002	(3,415)
Movement in the year:	
Current service cost	(645)
Contributions	743
Past service costs	-
Gains and losses on any settlement or curtailments	77
Other finance income	(75)
Actuarial loss	(3,083)
Deficit in scheme at 31 Jan 2003	(6,398)

The analysis of reserves that would have arisen if Financial Reporting Standard 17 had been fully implemented is as follows:

	Year ending 31 Jan 2003 £'000
Profit and loss reserves excluding pension liability	23,030
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(6,398)
	16,632

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003 (continued)

23. Contingent liabilities, guarantees and other financial commitments (continued)**History of experience gains and losses****Year ending
31 Jan 2003****Difference between the expected and actual return on scheme assets:**

Amount (£'000)	(2,400)
Percentage of scheme assets	38.4%

Experience gains and losses on scheme liabilities:

Amount (£'000)	75
Percentage of the present value of scheme liabilities	0.6%

Total actuarial gain recognised in the statement of total recognised gains and losses:

Amount (£'000)	(3,083)
Percentage of the present value of scheme liabilities	24.4%

24. Subsequent events

Subsequent to the year end the Group acquired investment and development properties for a consideration of £41,055,000 and disposed of investment and development properties for a consideration of £7,470,000.

On 10 July 2003, the Group disposed of 25% of its interest in PPG (Lothian) Limited for a consideration of £12,500,000. Further consideration is receivable dependent on certain conditions being met.

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 £4,534,000 (2002 - £4,943,000) were made to Murray Sports Limited and subsidiaries, related parties by virtue of common control. Purchases of £679,000 (2002 - £482,000) were made from Murray Sports Limited and subsidiaries. Sales of £44,000 (2002 - £323,000) 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 12 and 14.

During the year the Group made an advance of £7,000,000 (2002 - nil) under a revolving credit facility agreement to The Rangers Football Club plc. The Rangers Football Club plc is a related party by virtue of common control.

26. 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.

