Murray Sports Limited

Financial Statements for the year ended 30 June 2011
together with Directors' and Independent Auditor's Reports

Registered Number: SC192524

Contents

Officers and Professional Advisers

Company registration number
SC192524

Registered Office
10 Charlotte Square
Edinburgh
EH2 4DR

Directors
Sir D E Murray
J D G Wilson – resigned 30 September 2010
D C King
D W M Horne – resigned 31 May 2011
M S McGill – appointed 12 July 2010

Secretary
D W M Horne

Bankers
Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

Solicitors
Gateley (Scotland) LLP
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

Independent Auditor
Grant Thornton UK LLP
95 Bothwell Street
Glasgow
G2 7JZ

Report of the Directors

The directors present the Group Financial Statements for the year ended 30 June 2011.

Principal activity

The Group's principal activity is investment in a professional football club. During the current year the Group disposed of its investment.

The principal risk facing the Company was the fall in the share price of its investment which was listed on PLUS. Following the disposal of its investment, details of which are set out in Note 5, this risk is no longer relevant to the Company. During the prior year the share price of the Company's investment in The Rangers Football Club plc ('Rangers') fell from 40p to 32p per share resulting in a write down of £2,996,000.

Results

The retained profit for the year was £48,704,000 (2010 – loss of £2,996,000) and was transferred to reserves. No dividends were paid or proposed in respect of the year (2010 - £Nil).

Directors and their interests

The directors who held office throughout the year are listed below. They had the following interests in the ordinary shares of the Company and its subsidiary undertakings at 30 June 2011.

		2011 No. of shares	2010 No. of shares
Sir D E Murray	Murray Sports Limited	12,241,704	11,305,137
	The Rangers Football Club plc	Nil	99,801,034
J D G Wilson	Murray Sports Limited	Nil	62,500
	The Rangers Football Club plc	Nil	11,266
D C King	Murray Sports Limited	Nil	Nil
D W M Horne	Murray Sports Limited	Nil	Nil
M S McGill	Murray Sports Limited	Nil	Nil

In the prior year, Sir D E Murray had an interest in 8,914,198 ordinary shares of 10p in the share capital of Murray International Holdings Limited ("MIH"), representing 63.8% of MIH's issued share capital. Accordingly, Sir D E Murray was deemed to have an interest in the 62,060,479 ordinary shares of Rangers held by Murray MHL Limited, a subsidiary of MIH, and those interests are included in the table above with respect to Sir D E Murray.

D C King is an authorised representative of Metlika Trading Limited, a BVI company, which owned 15.5% of the issued share capital of the Company as at 30 June 2011.

Report of the Directors (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as each of the directors is aware:

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

Financial risk management

The Group's operations expose it to a variety of financial risks as discussed below. The Group has a risk management programme that seeks to limit the effect of such risks on financial performance.

Foreign currency risk

The Group does not enter into foreign currency transactions. The directors therefore consider the Group is not exposed to any foreign currency movement risk.

Credit risk

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

Report of the Directors (continued)

Statement of directors' responsibilities (continued)

Liquidity risk

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

Cashflow risk

The company no longer trades and has no bank overdraft facility outwith the cash held.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with section 485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

D Horne
Secretary
23 March 2012

Report of the Independent Auditor to the member of Murray Sports Limited

We have audited the financial statements of Murray Sports Limited for the year ended 30 June 2011 which comprise the profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditor to the member of Murray Sports Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors report in accordance with the small companies regime.

Grant Thornton UK LLP

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow

26 March 2012

Profit and Loss Account

	Notes	2011 £'000	2010 £'000
Net operating expenses	2	84	-
Operating profit		84	-
Amounts written off investments	5	-	(2,996)
Loss on waiver of investment	5	(11,983)	-
Gain on waiver of inter-company loan notes	8	60,603	-
Profit/(loss) on ordinary activities before taxation		48,704	(2,996)
Tax on profit/(loss) on ordinary activities	4	-	-
Retained profit/(loss) for the year		48,704	(2,996)

There were no other material gains or losses other than the results for the current and prior years.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Balance Sheet

	Notes	Group 30 June 2011 £'000	Group 30 June 2010 £'000	Company 30 June 2011 £'000	Company 30 June 2010 £'000
Fixed assets					
Fixed asset investments	5	-	11,983	-	-
Current assets					
Debtors	6	-	-	-	11,983
Cash at bank and in hand		6	6	6	6
		6	6	6	11,989
Creditors					
Amounts falling due within one year	7	-	(84)	-	(84)
Net current assets/(liabilities)		6	(78)	6	11,905
Total assets less current liabilities		6	11,905	6	11,905
Creditors: amounts falling due after more than one year	8	-	(60,603)	-	(60,603)
Net assets/(liabilities)		6	(48,698)	6	(48,698)
Financed by:					
Capital and reserves					
Called up share capital	9	1,980	1,980	1,980	1,980
Share premium reserve	10	31,804	31,804	31,804	31,804
Profit and loss account	10	(33,778)	(82,482)	(33,778)	(82,482)
Shareholders' funds/(deficit)	11	6	(48,698)	6	(48,698)

These Financial Statements on pages 9 to 17 were approved and authorised for issue by the directors on 23 March 2012 and signed on their behalf by:

M S McGill
Director

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Company Number: SC192524

Consolidated Cash flow

Reconciliation of operating profit to net cash inflow from operating activities.

	Notes	Year to 30 June 2011 £'000	Year to 30 June 2010 £'000
Operating profit		84	-
Decrease in debtors		-	1
(Increase) / decrease in creditors		(60,687)	1
Net cash inflow from operating activities		60,603	2
Cash flow statement			
Net cash outflow from operating activities		-	-
Increase in cash		-	2
Reconciliation of net cash flow to movement in net debt			
Increase in cash		-	2
Change in net debt resulting from cash flow and movement in net debt in the year	12	60,603	2
Net debt at the beginning of the year		(60,597)	(60,599)
Net funds/(debt) at the end of the year	12	6	(60,597)

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

The Group's accounting policies set out below have remained unchanged from the previous year.

(a) Basis of preparation

The Financial Statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidation includes the Financial Statements of the Company and its subsidiary undertaking and is based on their audited Financial Statements for the year ended 30 June 2011. As provided by Section 404 of the Companies Act 2006 a separate profit and loss account has not been provided for the Company.

(c) Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items in income and expenditure in taxation computations, in periods different from those in which they are included in the Financial Statements.

Deferred taxation is not provided in full on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(d) Fixed asset investments

Subsidiary companies are entities in which the Group has an interest in the voting share capital of greater than 50%. Participating interests are companies other than subsidiary and joint venture undertakings in which the Group has an interest in the voting share capital of 20% or more and over which it exercises some degree of control or influence. Investments in subsidiary companies and participating interests are shown at cost less provision for impairment. Dividends received from such companies are included in the profit and loss account as received.

(e) Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

(f) Going concern

The directors consider that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and therefore, it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Notes to the Financial Statements (continued)

2. Net operating expenses

The audit fees of the Company are borne by another group undertaking.

3. Staff costs

During the year the Company incurred no staff costs (2010 - £Nil). The directors did not receive any remuneration for services provided directly to the Company during the current or prior year.

4. Taxation

There is no tax charge arising in the year. The full potential deferred tax asset for both the Group and Company is £15,085 (2010 - £24,000). The Group's taxation charge in future years will be reduced as a result of the tax losses available for offset against future profits.

The difference between the tax charge of £Nil and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2011 £'000	2010 £'000
Profit/(loss) on ordinary activities before tax	48,704	(2,996)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.5% (2010 – 28.0%)	13,393	(839)
Non taxable income	(13,387)	-
Expenses not deductible for tax purposes	-	839
Utilisation of brought forward tax losses	(6)	-
Current corporation tax charge	-	-

Notes to the Financial Statements (continued)

5. Investments

Participating interests

	Participating interests £'000
Group	
Cost	
As at 1 July 2011	62,902
Disposals	(62,902)
At 30 June 2011	-
Impairment provision	
As at 30 June 2010 and 30 June 2011	50,919
Disposal	(50,919)
At 30 June 2011	-
Net book value at 30 June 2011	-
Net book value at 30 June 2010	11,983

During the prior year the share price of the Company's investment in Rangers fell from 40p to 32p per share. As a result an impairment provision of £2,996,000 was required.

On 31 January 2011 the Company acquired the entire equity shareholding in the Rangers Football Club plc which had been held by RFC Investment Holdings Limited, a subsidiary of the Company. The share acquisition was in exchange for full and final settlement of the amount due from subsidiary undertakings (Note 6) creating a loss of £11,983,000.

On 2 February 2011 the Company then sold its entire equity shareholding in The Rangers Football Club plc to Murray MHL Limited, its immediate parent company, waiving the residual balance on the loan notes and creating a gain of £60,603,000.

Notes to the Financial Statements (continued)

6. Debtors

	Group 30 June 2011 £'000	**Company 30 June 2011 £'000**	Group 30 June 2010 £'000	Company 30 June 2010 £'000
Amounts due from subsidiary undertakings	-	-	-	11,983

On 31 January 2011 the Company acquired the entire equity shareholding in the Rangers Football Club plc which had been held by RFC Investment Holdings Limited, a subsidiary of the Company. The share acquisition was in exchange for full settlement of the amount due from subsidiary undertakings creating a loss of £11,983,000.

7. Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group 30 June 2011 £'000	**Company 30 June 2011 £'000**	Group 30 June 2010 £'000	Company 30 June 2010 £'000
Amounts due to related undertakings	-	-	62	62
Accruals and deferred income	-	-	22	22
	-	-	84	84

8. Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Group and Company		
Amounts falling due after more than five years:		
Loan notes due to related parties	-	60,603

The RFC Investment Holdings Limited Group was demerged from Murray Group Holdings Limited on 29 January 1999. As part of the consideration in acquiring RFC Investment Holdings Limited the Company created £60m of interest bearing loan notes due to Murray Group Holdings Limited of which Sir D E Murray is the controlling party. Additional loan notes of £602,604 were issued to Murray Group Holdings Limited on 29 March 2000. Interest is payable on the loan notes at 1% above the base rate, but only to the extent that the payment of such interest shall not result in the Company's accumulated profits being reduced below zero.

On 2 February 2011 the Company sold its entire equity shareholding in The Rangers Football Club plc to Murray MHL Limited, its immediate parent company, waiving the residual balance on the loan notes and interest payable due and creating a gain of £60,603,000.

Notes to the Financial Statements (continued)

9. Called up share capital

	2011 £'000	2010 £'000
Authorised		
20,000,000 ordinary shares of 10p each	20,000	20,000
Issued and fully paid		
19,797,053 ordinary shares of 10p each	1,980	1,980

10. Reserves

	Share premium account £'000	Profit and loss account £'000
Group and Company		
At 1 July 2010	31,804	(82,482)
Retained profit for the year	-	48,704
At 30 June 2011	31,804	(33,778)

11. Reconciliation of movements in shareholders' (deficit)/funds

	2011 £'000	2010 £'000
Opening shareholders' deficit	(48,698)	(45,702)
Profit/(loss) for the financial year	48,704	(2,996)
Closing shareholders' (deficit) / funds	6	(48,698)

12. Analysis of net debt

	At 1 July 2011 £'000	Loan note waiver £'000	At 30 June 2011 £'000
Cash at bank and in hand	6	-	6
Loan notes	(60,603)	60,603	-
Net (debt)/funds	(60,597)	60,603	6

13. Related party transactions

During the year, in the normal course of business, the Group made sales of £Nil (2010 - £Nil) to companies in which Sir D E Murray is the principal shareholder, and received services of £Nil (2010 - £Nil). At the year end the amounts due from these companies was £Nil (2010 -£Nil) and the amount due to them was £Nil (2010 - £62,000).

14. Contingent liabilities

The Company has no contingent liability at 30 June 2011 (2010 - £49,253,000) relating to interest which may fall due on loan notes, under the circumstances set out in Note 8 to the Financial Statements. As disclosed in Note 8, this contingent liability was formally waived during the current year.

Notes to the Financial Statements (continued)

15. Capital commitments/financial commitments

The Group had capital commitments in respect of tangible fixed assets as at 30 June 2011 of £Nil (2010 - £Nil).

16. Ultimate control

The largest and smallest group in which the results of the Group are consolidated is that headed by Murray International Holdings Limited which exerts dominant influence over the Company. Sir D E Murray, a director of Murray International Holdings Limited, and members of his close family control the Group as a result of directly and indirectly controlling 70% (2010 – 76%) of the issued share capital of Murray International Holdings Limited.

17. Subsequent events

On 7 March 2012, Murray International Holdings Limited and certain of its subsidiaries completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the year ended 30 June 2011.