

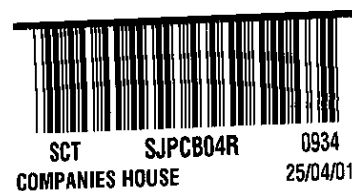
RAITH ROVERS FC HOLDINGS LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE PERIOD
FROM 1 JULY 1999 TO 30 JUNE 2000**

REGISTERED NUMBER: SC149552

**Norman Berry & Co
Chartered Accountants
41 High Street
Kirkcaldy
KY1 1LL**



RAITH ROVERS FC HOLDINGS LIMITED

**FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000**

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RAITH ROVERS FC HOLDINGS LIMITED

**COMPANY INFORMATION
AT 30 JUNE 2000**

DIRECTORS

Mr W.H. Gray
Mr C. McGowan
Mr E. Drysdale
Mr D. Smith
Mr M Cairn
Mr J. Whyte

SECRETARY

Mr E. Drysdale

REGISTERED OFFICE

Stark's Park
Pratt Street
Kirkcaldy
KY1 1SA

AUDITORS

Norman Berry & Co
Chartered Accountants
41 High Street
Kirkcaldy
KY1 1LL

PRINCIPAL BANKERS

Clydesdale Bank
64 High Street
Dunfermline
Fife
KY12 YDF

RAITH ROVERS FC HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the period ended 30 June 2000.

PRINCIPAL ACTIVITIES

The principal activity of the company in the period under review was that of a holding company with a controlling interest in Raith Rovers Football Club Limited.

A review of the business of Raith Rovers Football Club Limited is contained in the Directors' Report of that company's accounts for the period to 30 June 2000.

REVIEW OF THE BUSINESS

The Directors present the audited accounts for the year ended 30th June 2000, the first full financial accounting period managed by the current board. This company does not trade but acts solely as the holding company of its sole trading subsidiary, Raith Rovers Football Club Limited.

This company's resources are invested entirely in the subsidiary, whose trading performance in the year under review is summarised below.

During the early stages of the period under the review it became apparent that the club's financial position, particularly from a cash flow perspective, was extremely serious. Against that background, the challenges of creating conditions whereby the football management team was able to field a side capable of mounting a credible and sustained promotion push whilst at the same time completing stadium improvement work to satisfy safety requirements and SPL entry criteria were daunting indeed. In all the circumstances it is therefore satisfying to record that while the league campaign was ultimately unsuccessful, some good quality entertainment was provided and the ground modernisation was completed on time.

Long term financial stability could certainly not be achieved overnight, but immediate steps were taken to regularise our borrowing position with the Clydesdale Bank. A good working relationship has grown out of that foundation, and this has allowed the Board to honour commitments entered into with aged creditors to repay sums due to them over extended periods. The rate of progress which has been made could not have been achieved, however, without the the financial support of existing shareholders.

The net result of the foregoing is that significant inroads have been made into the level of outstanding trade creditors, without further reliance on bank borrowings. Consequently, the overall financial health of your company is improved, although we must not lose sight of the fact that continuing cash flow difficulties mean that expenditure must be firmly controlled, whilst income from all available sources must continue to be maximised. Only when long outstanding creditors have been fully repaid will we be able to state that, with ongoing prudent financial management, the club's future is safe.

The trading loss sustained in the period under review represents a significant improvement on the previous year's performance. However, a loss is still a loss, and in the absence of a "white knight" benefactor, that is not something your company can afford to sustain going forward. It was essential that we could demonstrate to our bankers, and indeed our auditor, that the company can survive as a going concern. This can only be achieved by eliminating remaining losses, and your Board will not shirk from continuing to take whatever measures it sees fit to bring about profitable trading in order to secure the future stability of the business.

We hope that we can rely on the ongoing support of all shareholders as we face the challenges and opportunities which lie ahead.

B W Dyddale

RAITH ROVERS FC HOLDINGS LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors in office in the period and their beneficial interests in the company at the balance sheet date and the beginning of the period were as follows:

		Number of Shares	
		2000	1999
Mr W.H. Gray	Type of shareholding	37,500	37,500
Mr C. McGowan		-	-
Mr E. Drysdale	Type of shareholding	50	50
Mr D. Smith		-	-
Mr M Caira	Type of shareholding	2,500	763
Mr J. Whyte	Type of shareholding	1,000	1,000

Directors appointed since period end:

A.Smith	14th September 2000
T.Hutton	14th September 2000

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 company for that period. In preparing those financial statements, the directors are required to:

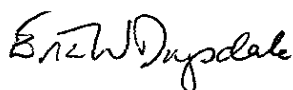
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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

The auditors, Norman Berry & Co, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

By order of the board:



Mr E. Drysdale
Secretary

Date: 22nd March 2001

RAITH ROVERS FC HOLDINGS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described in the directors' report, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

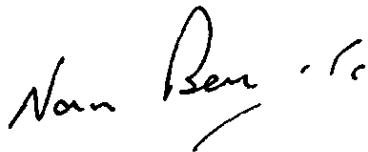
Fundamental uncertainty on going concern arising from subsidiary undertaking's adverse financial position.

In forming our opinion, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the liability of the company's subsidiary undertaking, Raith Rovers Football Club Limited, to continue as a going concern, and the potential effect of this on the valuation of the company's assets, which all relate to the subsidiary. In view of the of the significance of this uncertainty and its relevance to the company's ability to recover the book value of the company's assets, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled to the exemption conferred by section 248 of the Companies Act 1985 from the requirement to prepare group accounts for the financial year ended 30 June 2000.



Norman Berry & Co
Chartered Accountants
Chartered Accountant and Registered Auditor
41 High Street
Kirkcaldy
KY1 1LL

Date: 22nd March 2001

RAITH ROVERS FC HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000**

	Notes	2000 £	1999 £
TURNOVER		288	-
Administrative expenses		4,013	366
OPERATING LOSS	3	(3,725)	(366)
Investment income and interest receivable	2	-	25
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,725)	(341)
Tax on loss on ordinary activities	4	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(3,725)</u>	<u>(341)</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial periods.

Total recognised gains and losses

The company has no recognised gains or losses other than the loss for the above two financial periods.

RAITH ROVERS FC HOLDINGS LIMITED**BALANCE SHEET
AT 30 JUNE 2000**

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Investments	5		40,095		40,290
CURRENT ASSETS					
Debtors	6	446,107		37,942	
Cash at bank and in hand		-		299,191	
		<u>446,107</u>		<u>337,133</u>	
CREDITORS: amounts falling due within one year					
	7	<u>(58,432)</u>		<u>(350)</u>	
NET CURRENT ASSETS			387,675		336,783
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>427,770</u>		<u>377,073</u>
CAPITAL AND RESERVES					
Called up share capital	9		425,827		371,405
Profit and loss account	10		<u>1,943</u>		<u>5,668</u>
TOTAL SHAREHOLDERS' FUNDS	11		<u>427,770</u>		<u>377,073</u>

Approved by the board of directors on 22nd March 2001 and signed on its behalf by the following directors:

Mr E. Drysdale:

Eric W Drysdale)

Mr C. McGowan:

Colin McGowan)

RAITH ROVERS FC HOLDINGS LIMITED**CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000**

	Notes	2000 £	1999 £
Net cash outflow from operating activities	3	(411,390)	(33,625)
Returns on investments and servicing of finance	12	-	25
Acquisitions and disposals	12	195	450
Cash outflow before use of liquid resources and financing		(411,195)	(33,150)
Financing	12	54,422	32,100
DECREASE IN CASH IN THE PERIOD		(356,773)	(1,050)

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET(DEBT) / FUNDS**

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DECREASE IN CASH IN THE PERIOD	(356,773)	(1,050)
Change in net (debt) / funds resulting from cash flows	(356,773)	(1,050)
Movement in (debt) / funds in the period	(356,773)	(1,050)
Net funds at 1 July 1999	299,191	300,241
Net (debt) / funds at 30 June 2000	(57,582)	299,191

The notes on pages 8 to 11 form part of these financial statements.

RAITH ROVERS FC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

Application of going concern basis with regard to the adverse financial position of the subsidiary undertaking.

The financial statements of the company's subsidiary undertaking, Raith Rovers Football Club Limited, disclose a loss, before taxation, for the period of £152,994, and a net deficit on the balance sheet of £631,436. The directors have affirmed, in the notes to the subsidiary's financial statements, why they consider that the going concern basis is appropriate in the preparation of the financial statements despite the adverse trading result and period-end financial position.

The Directors would confirm that the assets of the company are represented by the cost of our investment in our subsidiary (see note 5), and a current account balance due by our subsidiary, (see note 6).

The Directors acknowledge that the ability of the company to realise the net book values of the company's assets, as presently reported on the going concern basis, is dependent on the ability of the subsidiary to continue to operate as a going concern, and thereby, to trade successfully, return to profitability, and, in time, reverse the net deficit position.

The Directors have indicated in the subsidiary's financial statements that, as a result of measures taken to improve trading performance, and the support shown by Clydesdale Bank PLC, they are confident that the subsidiary can make the required financial progress.

Consolidation

The company forms part of a medium-sized group. The ultimate parent company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Dividends are brought to account in the profit and loss account when received.

2. INVESTMENT INCOME AND INTEREST RECEIVABLE

	2000	1999
	£	£
Interest received and receivable		
Bank interest	-	25

3. OPERATING LOSS

Operating loss is stated	2000	1999
	£	£
After charging:		
Auditors' remuneration	500	350

RAITH ROVERS FC HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000****3. OPERATING LOSS - (continued)****Reconciliation of operating loss to
net cash outflow from operating activities**

	2000 £	1999 £
Operating loss	(3,725)	(366)
Increase in debtors	(408,165)	(33,309)
Increase in creditors	500	50
Net cash outflow from operating activities	(411,390)	(33,625)

4. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no liability to corporation tax in the period.

5. INVESTMENTS

Cost or valuation:	1 July 1999 £	Disposals £	30 June 2000 £
Other investments	40,290	(195)	40,095

Other investments other than loans

Shares in related undertakings:

Cost or valuation:	1 July 1999 £	Disposals £	30 June 2000 £
Shares:			
Group undertaking	40,290	(195)	40,095
Net book value	40,290		40,095

The company owns 49% of the issued share ordinary and 57.7% of the issued preference share capital of Raith Rovers Football Club Limited, which represents 50.1% of the voting share capital of the company.

Raith Rovers Football Club Limited had a loss, before taxation, for the year ended 30 June 2000 of £152,994 (1999 - loss of £561,591) and the aggregate of its capital and reserves at that date was a deficit of £631,436 (1998 - deficit of £484,031).

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

6. DEBTORS

	2000 £	1999 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	446,107	37,942

RAITH ROVERS FC HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000****7. CREDITORS: amounts falling due within one year**

	2000	1999
	£	£
Bank loans and overdrafts	57,582	-
Other creditors	850	350
	<u>58,432</u>	<u>350</u>

8. RELATED PARTY DISCLOSURES

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

9. SHARE CAPITAL

	2000	1999
	£	£
Authorised:		
Equity interests:		
550,000 Ordinary shares of £1 each	<u>550,000</u>	<u>550,000</u>
Allotted, called up and fully paid:		
Equity interests:		
425,827 Ordinary shares of £1 each	<u>425,827</u>	<u>371,405</u>

10. PROFIT AND LOSS ACCOUNT

	2000	1999
	£	£
Retained profit as at 1 July 1999	5,668	6,009
Loss for the period	<u>(3,725)</u>	<u>(341)</u>
Retained profit as at 30 June 2000	<u>1,943</u>	<u>5,668</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Loss for the period	(3,725)	(341)
New share capital subscribed	<u>54,422</u>	<u>32,100</u>
Net addition to shareholders' funds	50,697	31,759
Opening shareholders' funds	<u>377,073</u>	<u>345,314</u>
Closing shareholders' funds	<u>427,770</u>	<u>377,073</u>
Represented by:-		
Equity interests	<u>427,770</u>	<u>377,073</u>

RAITH ROVERS FC HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000****12. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest received	-	25
Net cash (outflow) / inflow from returns on investments and servicing of finance	-	25
Acquisitions and disposals		
Receipts from sale of subsidiary undertakings	195	450
Net cash inflow from acquisitions and disposals	195	450
Financing		
Issue of ordinary share capital	54,422	32,100
Net cash inflow from financing	54,422	32,100

13. ANALYSIS OF CHANGES IN NET DEBT

	1999 £	Cash flow £	2000 £
Cash at bank and in hand	299,191	(299,191)	-
Bank overdraft	-	(57,582)	(57,582)
	299,191	(356,773)	(57,582)

RAITH ROVERS FC HOLDINGS LIMITED**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000**

	£	£
TURNOVER		
Sales	288	-
ADMINISTRATIVE EXPENSES	(4,013)	(366)
OPERATING LOSS	<u>(3,725)</u>	<u>(366)</u>
OTHER INCOME AND EXPENSES		
Interest receivable:		
Bank deposit interest	-	25
NET LOSS FOR THE PERIOD	<u><u>(3,725)</u></u>	<u><u>(341)</u></u>

RAITH ROVERS FC HOLDINGS LIMITED

**ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM 1 JULY 1999 TO 30 JUNE 2000**

	2000	1999
	£	£
ADMINISTRATIVE EXPENSES		
Audit fees	500	350
Bank interest and charges	3,513	16
	<u>4,013</u>	<u>366</u>