HFC HOLDINGS LIMITED AND SUBSIDIARY COMPANY

(INCORPORATED AS WJB (249) LIMITED)

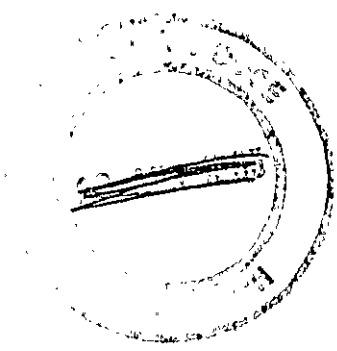
ACCOUNTS -- FOR THE PERIOD FROM INCORPORATION TO 31 JULY 1992

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

132607



REGISTRATION NUMBER: 132607



HFC HOLDINGS LIMITED

(INCORPORATED AS WJB (249) LIMITED)

DIRECTORS' REPORT

FOR THE PERIOD FROM INCORPORATION TO 31 JULY 1992

The directors present their first annual report on the affairs of the group together with the accounts and auditors' report for the period from 26 June 1991 to 31 July 1992.

INCORPORATION, ISSUE OF SHARES AND CHANGE OF NAME

The company was incorporated on 26 June 1991 as WJB (249) Limited. On 5 July 1991 the company changed its name to HFC Holdings Limited.

The company was incorporated with two subscriber shares and authorised share capital of 100 Ordinary Shares of £1 each. On 31 July 1991, the authorised share capital was increased by the creation of an additional 524,900 Ordinary Shares of £1 each and the creation of 325,000 Participating Redeemable Preference Shares of £1 each. On the same date all authorised shares were allotted at par for cash.

PRINCIPAL ACTIVITY

The company's principal activity is to act as the holding company of a professional football club.

RESULTS

The results for the period are as follows:

	GROUP £
Turnover	2,205,309
Loss on ordinary activities before taxation	(1,040,324)
Loss for the financial period	(1,040,324)

Full details are set out in the profit and loss account on page 4.

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period, together with their interests in the shares of the company, were:

	Ordinary Shares of £1
	1992
T Farmer (appointed 5 July 1991)	525,000
R Huthersall (appointed 5 July 1991)	-
J C Elliot (appointed 31 July 1991; resigned 1 August 1991)	-
R M Petrie (appointed 5 July 1991; resigned 6 July 1991)	-
I Q Jones (appointed 5 July 1991; resigned 17 July 1991)	-
M J Wood (appointed 26 June 1991; resigned 5 July 1991)	-
J C Rafferty (appointed 26 June 1991; resigned 5 July 1991)	-

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in Note 13 to the accounts.

AUDITORS

It was resolved during the period to appoint Arthur Andersen as auditors of the company.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

BY ORDER OF THE BOARD

R Huthersall
Secretary
36 Heriot Row
Edinburgh EH3 6ES

16 April 1993

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

18 Charlotte Square
Edinburgh EH2 4DF

Auditors' report to the members of HFC HOLDINGS LIMITED:

We have audited the accounts on pages 4 to 18 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 July 1992 and of the loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to Note 1 which sets out the basis of preparation of the accounts. This explains the Directors' view that, despite the accumulated deficit and the net current liabilities, they are satisfied that preparation of the accounts on a going concern basis is appropriate. Their opinion is that current financing facilities, together with the ability to generate additional income if necessary, are sufficient to meet the group's trading requirements in the foreseeable future.

Arthur Andersen.

Arthur Andersen
Chartered Accountants and Registered Auditor
18 Charlotte Square
Edinburgh
EH2 4DF

16 April 1993

HFC HOLDINGS LIMITED

(INCORPORATED AS WJB (249) LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM INCORPORATION TO 31 JULY 1992

	Notes	1992
TURNOVER	2i)	£ 2,205,309
Operating expenses	5	(2,442,868)
OPERATING LOSS		(237,559)
Investment income	6	22,105
Interest payable and similar charges	7	(83,790)
LOSS BEFORE TRANSFER FEES	11	(299,244)
Net transfer fees payable	8	(741,080)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,040,324)
Taxation	12	-
LOSS FOR THE FINANCIAL PERIOD		£(1,040,324)

A statement of movement on reserves is given in note 20.

The accompanying notes form an integral part of this consolidated profit and loss account.

HFC HOLDINGS LIMITED

(INCORPORATED AS WJB (249) LIMITED)

CONSOLIDATED BALANCE SHEET - 31 JULY 1992

	Notes	1992
FIXED ASSETS		
Tangible	13	£ 56,146
CURRENT ASSETS		
Stocks	15	3,357
Debtors - due within one year	16	385,386
- due after more than one year	16	489,000
Cash at bank and in hand		11,385
		889,128
Creditors: Amounts falling due within one year	17	(1,055,221)
NET CURRENT LIABILITIES		(166,093)
TOTAL ASSETS LESS CURRENT LIABILITIES		(109,947)
Creditors: Amounts falling due after more than one year	18	(1,063,552)
NET LIABILITIES		£(1,173,499)
CAPITAL AND RESERVES		
Called-up share capital	19	£ 850,000
Profit and loss account	20	(2,023,499)
NET DEFICIT		£(1,173,499)

SIGNED ON BEHALF OF THE BOARD ON 16 APRIL 1993

Robert Huthersall
Director

The accompanying notes form an integral part of this consolidated balance sheet.

HFC HOLDINGS LIMITED

(INCORPORATED AS WJB (249) LIMITED)

BALANCE SHEET - 31 JULY 1992

	Notes	1992
FIXED ASSETS		
Investments	14	£ 619,738
		619,738
CURRENT ASSETS		
Debtors - due within one year	16	152,799
- due after more than one year	16	489,000
Cash at bank and in hand		6,004
		647,803
CREDITORS: Amounts falling due within one year	17	(75,750)
NET CURRENT ASSETS		572,053
TOTAL ASSETS LESS CURRENT LIABILITIES		1,191,791
CREDITORS: Amounts falling due after more than one year	18	(560,879)
NET ASSETS		£ 630,912
CAPITAL AND RESERVES		
Called-up share capital	19	£ 850,000
Profit and loss account	3	(219,088)
TOTAL CAPITAL EMPLOYED		£ 630,912

SIGNED ON BEHALF OF THE BOARD ON 16 APRIL 1993

Robert Huthersall
Director

The accompanying notes form an integral part of this balance sheet.

HFC HOLDINGS LIMITED

(INCORPORATED AS WJB (249) LIMITED)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM INCORPORATION TO 31 JULY 1992

	Notes	1992
Net cash outflow from operating activities	21	£(1,162,896)
Returns on investments and servicing of finance		
Interest received		19,743
Interest paid		(29,794)
Interest element of finance lease contracts		(3,780)
Net cash outflow from returns on investments and servicing of finance		(13,831)
Investing activities		
Purchase of subsidiary undertaking		(206,813)
Payments to acquire tangible fixed assets		(41,950)
Receipt from sales of tangible fixed assets		10,600
Net cash outflow from investing activities		(238,163)
Net cash outflow before financing		(1,414,890)
Financing		
Issue of preference share capital		325,000
Issue of ordinary share capital		525,000
Loan repayable on sale of fixed assets		560,879
New hire purchase loans		15,396
Net cash inflow from financing		1,426,275
Increase in cash and cash equivalents	22	£ 11,385

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

HFC HOLDINGS LIMITED

(INCORPORATED AS WJB (249) LIMITED)

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION OF ACCOUNTS

The accounts show an accumulated deficit, net current liabilities and a loss for the financial period after transfer fees. The Directors consider that current financing facilities are sufficient to meet trading requirements in the foreseeable future, taking account of anticipated gate receipts and the ability to generate income through the transfer of existing players' registrations to other clubs if required. Accordingly, the accounts have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost basis, and in accordance with applicable accounting standards.

b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

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, at the following rates per annum:

Plant and equipment	10%
Motor vehicles	20%

c) The Football Trust Grants

Grants received from The Football Trust are treated as income and are taken to the profit and loss account in the same period as the related stadium improvements. Grants are accounted for once the related expenditure has been verified and the relevant Auditors' Certificate has been completed.

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

e) Investments

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off.

When subsidiary undertakings are acquired or disposed of, the consolidated profit and loss account includes the results from the date of acquisition or up to the date of disposal. On the acquisition of a subsidiary, goodwill, being the difference between the consideration paid and the values attributed to the net assets at acquisition, is dealt with through reserves.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) Transfer fees

Transfer fees payable and receivable are included in the profit and loss account in the period in which the transfer contract is signed.

g) Signing-on fees

Signing-on fees payable to players are charged to the profit and loss account over the period of the contract to which they relate.

h) Leases and hire purchase transactions

Assets held under hire purchase agreements 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. The asset is depreciated over its useful life. Finance charges are allocated to accounting periods over the period of the agreement to produce a constant rate of return on the outstanding balance. Payments are apportioned between finance charges and reduction of the liability as appropriate.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

i) Turnover

Turnover represents gate receipts and other related income from the operation of a professional football club.

j) Taxation

The charge for taxation is based on the loss for the period as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liabilty or asset will crystallise.

k) Pensions

The subsidiary undertaking operates a defined contribution pension scheme for certain members of staff. The charge for pension cost represents contributions payable by the company for the period.

3. PARENT COMPANY PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption in the Companies Act 1985 S230 not to present its own profit and loss account. The company's loss for the financial period, determined in accordance with the Act, was £219,088.

4. SEGMENT INFORMATION

In the directors' opinion, the group has only one class of business, the running of a professional football club.

5. OPERATING EXPENSES

	1992
Staff costs	£ 1,536,304
Administration expenses	906,564
	£ 2,442,868

Operating expenses include costs associated with the incorporation of the company.

6. INVESTMENT INCOME

Investment income comprises:

	1992
Interest receivable and similar income	£ 22,105

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1992
On bank loans and overdrafts and other loans - repayable within 5 years not by instalments	£ 5,760
On all other loans	78,030
	£ 83,790

Included in the above is the interest element of charges payable under hire purchase contracts amounting to £3,780.

8. NET TRANSFER FEES (PAYABLE) RECEIVABLE

	1992
Transfer fees receivable	£ 315,000
Transfer fees payable	(1,056,080)
	£ (741,080)

9. DIRECTORS' EMOLUMENTS

No director received any remuneration from the company or its subsidiary undertaking during the period.

10. EMPLOYEE INFORMATION

a) The average number of persons employed by the group during the period including executive directors, is analysed below:

	1992 Number
Players	46
Administrative	15
	61

b) Staff costs for the above persons:

	1992
Wages and salaries	
- players	£1,097,154
- administrative	292,151
Social security costs	142,858
Pension costs	4,141
	£1,536,304

11. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

	1992
Auditors' remuneration	£ 12,140
Depreciation	8,805
Operating lease rentals	
- plant and equipment	1,175
Loss on sale of fixed assets	1,070
Staff costs (see note 10)	1,536,304
Loss on disposal of shares in subsidiary (including £40,966 of goodwill written off to reserves on acquisition) (see note 20)	40,966

Football Trust Grants receivable during the period amounted to £82,411.

12. TAXATION

Due to the incidence of tax losses, no current tax charge is required in respect of the period ended 31 July 1992.

In the opinion of the directors, no provision for deferred taxation is required at 31 July 1992 and there is no unprovided deferred tax.

13. TANGIBLE FIXED ASSETS

Group

	Plant & Equipment	Motor Vehicles	Total
Cost			
At beginning of period	£ -	£ -	£ -
New subsidiary undertaking	43,032	19,995	63,027
Additions	17,640	24,310	41,950
Disposals	-	(19,995)	(19,995)
At 31 July 1992	£ 60,672	£ 24,310	£ 84,982
Depreciation			
At beginning of period	£ -	£ -	£ -
New subsidiary undertaking	22,695	5,661	28,356
Charge for the year	4,116	4,689	8,805
Disposals	-	(8,325)	(8,325)
At 31 July 1992	£ 26,811	£ 2,025	£ 28,836
Net Book Value			
At 31 July 1992	£ 33,861	£ 22,285	£ 56,146
At beginning of period	£ -	£ -	£ -

The net book value of tangible fixed assets includes an amount of £22,285 in respect of motor vehicles held under hire purchase contracts.

The company has no tangible fixed assets.

14. FIXED ASSET INVESTMENTS

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

	GROUP 1992	COMPANY 1992
Investment in subsidiary undertaking	£ -	£ 619,738

The movement during the period was as follows:

Start of period	£ -
Addition	645,560
Disposal of 4% of subsidiary	(25,822)
End of period	£ 619,738

The company holds more than 10% of the equity capital of the following company:

	Country of incorporation and operation	Principal activity	Description and proportion of shares held by the company
The Hibernian Football Club Limited	Scotland	Professional Football Club	Ordinary shares 96%

The company acquired 100% of ordinary share capital of The Hibernian Football Club Limited on 2 July 1991. Details of the assets and liabilities acquired and the consideration paid are as follows:

Tangible fixed assets	£ 34,671
Stocks	2,154
Debtors	245,650
Cash	438,747
Creditors	(609,803)
Loan Stock	(490,000)
Net liabilities acquired	(378,581)
Consideration paid in cash	645,560
Goodwill arising (see note 20)	£1,024,141

On 27 April 1991, the company transferred 4% of the share capital of The Hibernian Football Club Limited to supporters of Hibernian Football Club who were shareholders of Forth Investments plc at the time when Forth Investments plc went into receivership.

15. STOCKS

	GROUP 1992	COMPANY 1992
Goods for resale	£ 3,357	£ -

16. DEBTORS

The following are included in the net book value of debtors:

Amounts falling due within one year:

	GROUP 1992	COMPANY 1992
Other debtors	£ 158,306	£ 2,362
Prepayments and accrued income	227,080	437
Amounts owed by subsidiary undertaking	-	150,000
	385,386	152,799
Amounts falling due after more than one year:		
Amounts owed by associated undertaking	489,000	489,000
	£ 874,386	£ 641,799

As outlined in note 18, the company has assigned the benefit of the amount owed by the associated undertaking to Mr T Farmer.

17. CREDITORS: Amounts falling due within one year:

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

	GROUP 1992	COMPANY 1992
Trade creditors	£ 241,281	£ -
Other creditors	9,869	-
Accruals and deferred income	725,126	75,750
Taxation and social security	76,222	-
Hire purchase creditors	2,723	-
	£1,055,221	£ 75,750

18. CREDITORS: Amounts falling due after more than one year:

The following are included in creditors falling due after more than one year:

	GROUP 1992	COMPANY 1992
Hire purchase creditors	£ 12,673	£ -
Repayable other than by instalments in more than five years:-		
Loan stock 2001	490,000	-
Other loans (see below)	560,879	560,879
	£1,063,552	£ 560,879

The loan stock bears a variable rate of interest linked to net realisations on transfers (ranging from nil for net realisations up to £100,000, to 5% for net realisations in excess of £500,000) and is secured by a floating charge over all the assets of the subsidiary undertaking. Of the other loans, the majority relates to a loan of £550,000 repayable to Mr T Farmer on 31 July 2000. Interest accrues on this loan on a compound basis at a rate of 13.5% annually. Mr T Farmer has security over property owned by an associated undertaking, and the company has also assigned to Mr T Farmer the benefit of the loan receivable by the company from the associated undertaking (note 16).

19. CALLED-UP SHARE CAPITAL

	1992
Authorised:	
525,000 Ordinary Shares of £1 each	£ 525,000
325,000 Participating Redeemable Preference Shares of £1 each	325,000
	£ 850,000
Allotted, called-up and fully paid:	
525,000 Ordinary Shares of £1 each	£ 525,000
325,000 Participating Redeemable Preference Shares of £1 each	325,000
	£ 850,000

19. CALLED-UP SHARE CAPITAL (Continued)

The company was incorporated with two subscriber shares and authorised share capital of 100 Ordinary Shares of £1 each. On 31 July 1991, the authorised share capital was increased by the creation of an additional 524,900 Ordinary Shares of £1 each and the creation of 325,000 Participating Redeemable Preference Shares of £1 each. On 31 July 1991 524,900 Ordinary Shares of £1 each and 325,000 Participating Redeemable Preference Shares of £1 each were issued at par value for cash.

The Participating Redeemable Preference Shares are entitled to a dividend of the lesser of £15,000 or 5% of the consolidated profit on ordinary activities before taxation per annum. They are redeemable on 30 July 2005 but may be redeemed by the company at 30 days notice at any time prior to then.

20. RESERVES

Group

	Profit & Loss account
Beginning of period	£ -
Goodwill written off on acquisition of The Hibernian Football Club Limited	(1,024,141)
Goodwill written back on the disposal of shares in The Hibernian Football Club Limited	40,966
Retained loss for the year	(1,040,324)
End of period	£(2,023,499)

21. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1992
Operating loss	£ (237,559)
Transfer fees	(741,080)
Loss on disposal of tangible fixed assets	1,070
Increase in stocks	(1,203)
Increase in debtors	(626,374)
Increase in creditors	392,479
Depreciation	8,805
Loss on disposal of shares in subsidiary undertaking	40,966
Net cash outflow from operating activities	£(1,162,896)

22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

	1992
Opening balance	£ -
Net cash inflow	11,385
Closing balance	£ 11,385

23. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

a) Capital Commitments

At the end of the period capital commitments were:

	GROUP 1992	COMPANY 1992
Expenditure contracted for but not provided for	£ 13,358	£ -

b) Lease commitments

The group has annual commitments in respect of operating leases which may be analysed as follows:

	GROUP 1992	COMPANY 1992
Lease of Easter Road Stadium expiring after 5 years	£ 75,000	£ -

Easter Road Stadium is retained on a full repairing and insuring lease from a property company in which Mr T Farmer has a significant interest.

c) Contingent liabilities

A portion of the grants received from the Football Ground Improvement Trust may become repayable, at the Trust's discretion, in the event that the Hibernian Football Club moves from Easter Road Stadium.

d) VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group would give rise to additional liabilities for the company.

23. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS (Continued)

e) Player related matters

All signing on fees and other amounts payable to playing staff earned by the period end have been provided in the financial statements. In addition, the group is committed to £145,450 of deferred signing on fees which become payable to those players that stay with the club for the duration of their current contracts.

Additional transfer fees of £65,000 are payable should certain players be selected at international level.