ARTHUR ANDERSEN

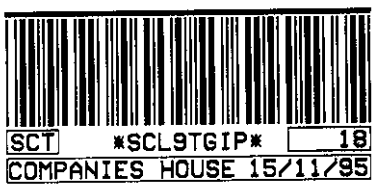
ARTHUR ANDERSEN & CO. SC

HFC Holdings Limited and subsidiary undertakings

Accounts for the year ended 31 July 1994
together with directors' and auditors' reports

Registration number: 132607





Directors' report

For the year ended 31 July 1994

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 July 1994.

Principal activity

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

Results

The results for the year are as follows:

	Group £
Turnover	2,371,415
Loss on ordinary activities before taxation	125,583
Loss for the financial year	125,583

Full details are set out in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (1993 - £nil).

Directors and their interests

The directors who served during the year, together with their interests in the shares of the company, were:

	Ordinary Shares of £1	
	1994	1993
T Farmer	525,000	525,000
R Huthersall	-	-

Fixed assets

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

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

Directors' responsibilities (continued)

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

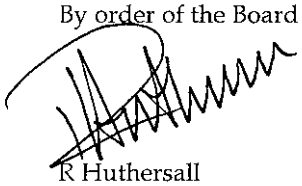
Employees

It is the policy of the group to consult and discuss with employees any matters likely to affect their interests. The group gives full and sympathetic consideration to the employment, training, career development and promotion of disabled persons including those becoming disabled after their employment has commenced.

Auditors

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

14 November 1995

Auditors' report

Edinburgh

To the Shareholders of HFC Holdings Limited:

We have audited the accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out in note 2.

Respective responsibilities of directors and auditors

As described in the directors' report on pages 1 and 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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.

We draw attention to notes 1 and 25 which contain important information regarding the basis of preparing the accounts. These notes explain the directors' view that despite the group having a capital deficit and net current liabilities they are satisfied that the preparation of the accounts on a going concern basis is appropriate. Their opinion is that current financing facilities along with the ability to generate additional income if necessary, are sufficient to meet the group's trading requirements in the foreseeable future, and to allow it to install sufficient seating at Easter Road Stadium, to meet the requirements of the Taylor Report, should this action prove necessary. Should the group be unable to meet its liabilities as they fall due then adjustments may be necessary to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which may arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities. Our opinion is not qualified in this respect.

Auditors' report (continued)

Opinion

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 1994 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

18 Charlotte Square
Edinburgh
EH2 4DF

14 November 1995

Consolidated profit and loss account

For the year ended 31 July 1994

	Notes	1994 £	1993 £
Turnover	4	2,371,415	1,961,017
Operating expenses	5	(2,263,784)	(2,169,087)
Operating profit (loss)		107,631	(208,070)
Investment income	6	434	788
Interest payable and similar charges	7	(111,148)	(113,746)
Loss before transfer fees		(3,083)	(321,028)
Net transfer fees (payable) receivable	8	(122,500)	279,440
Loss on ordinary activities before taxation	9	(125,583)	(41,588)
Taxation	12	-	-
Loss for the financial year	20	(125,583)	(41,588)

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

The current and prior year results are derived entirely from continuing operations.

The loss for the financial year equates to the historical cost loss for the financial year.

As permitted by Financial Reporting Standard 3 "Reporting Financial Performance" the group has not prepared a Statement of Total Recognised Gains and Losses or a Reconciliation of Movements on Shareholders' funds as it has no recognised gains or losses other than the loss for the financial year.

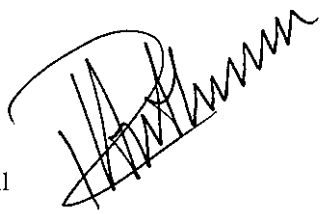
The accompanying notes form an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 July 1994

	Notes	1994 £	1993 £
Fixed assets			
Tangible	13	262,323	50,475
Current assets			
Stocks	15	9,392	9,381
Debtors - due within one year	16	539,579	741,554
- due after more than one year	16	489,000	489,000
Cash at bank and in hand		9,804	6,693
		1,047,775	1,246,628
Creditors: Amounts falling due within one year	17	(1,596,810)	(1,454,127)
Net current liabilities		(549,035)	(207,499)
Total assets less current liabilities		(286,712)	(157,024)
Creditors: Amounts falling due after more than one year	18	(1,053,958)	(1,058,063)
Net liabilities		(1,340,670)	(1,215,087)
Capital and reserves			
Called-up share capital	19	850,000	850,000
Profit and loss account	20	(2,190,670)	(2,065,087)
Total capital deficit		(1,340,670)	(1,215,087)

Signed on behalf of the Board



Robert Huthersall Director

14 November 1995

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

Company balance sheet

31 July 1994

	Notes	1994 £	1993 £
Fixed assets			
Investments	14	619,738	619,738
Current assets			
Debtors - due within one year	16	-	10,522
- due after more than one year	16	639,000	639,000
Cash at bank and in hand		4,285	-
		643,285	649,522
Creditors: Amounts falling due within one year	17	(269,175)	(173,414)
Net current assets		374,110	476,108
Total assets less current liabilities		993,848	1,095,846
Creditors: Amounts falling due after more than one year	18	(560,879)	(560,879)
Net assets		432,969	534,967
Capital and reserves			
Called-up share capital	19	850,000	850,000
Profit and loss account	20	(417,031)	(315,033)
Total capital employed		432,969	534,967

Signed on behalf of the Board

Robert Huthersall Director

14 November 1995

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

Consolidated cash flow statement

For the year ended 31 July 1994

	Notes	1994 £	1993 £
Net cash inflow (outflow) from operating activities	21	219,422	(256,655)
Returns on investments and servicing of finance			
Interest received		434	3,150
Interest paid		(109,506)	(22,930)
Interest element of hire purchase contracts		(1,642)	(1,642)
Net cash outflow from returns on investments and servicing of finance		(110,714)	(21,422)
Investing activities			
Payments to acquire tangible fixed assets		(221,650)	(4,831)
Receipts from sales of tangible fixed assets		-	235
Net cash outflow from investing activities		(221,650)	(4,596)
Net cash outflow before financing		(112,942)	(282,673)
Financing			
Payments on hire purchase contracts		(4,106)	(4,106)
Net cash outflow from financing		(4,106)	(4,106)
Decrease in cash and cash equivalents	22	(117,048)	(286,779)

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

Notes to accounts

31 July 1994

1 Basis of preparation of accounts

The group accounts show a capital deficit, net current liabilities and a loss for the financial year 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 year and with preceding year, is set out below.

a) Basis of accounting

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

b) Basis of consolidation

The group accounts consolidate the accounts of HFC Holdings Limited and its subsidiary undertaking made up to 31 July 1994. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. 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 written off against reserves on acquisition.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Only dividends received and receivable are credited to the company's profit and loss account.

c) 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%

d) 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.

e) Stocks

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

2 Principal accounting policies (continued)

f) 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.

g) 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.

h) 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.

i) 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.

j) Turnover

Turnover represents gate receipts and other related income from the operation of a professional football club and commissions earned in the marketing of financial products to supporters of Hibernian Football Club.

k) Taxation

The charge for taxation is based on the loss for the year 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 liability or asset will crystallise.

l) 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 year.

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 year, determined in accordance with the Act, was £101,998 (1993 - £95,945).

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

	1994 £	1993 £
Staff costs (see note 10)	1,493,415	1,450,705
Administration expenses	770,369	718,382
	2,263,784	2,169,087

6 Investment income

Investment income comprises:

	1994 £	1993 £
Interest receivable and similar income	434	788

7 Interest payable and similar charges

	1994 £	1993 £
On bank loans and overdrafts and other loans:		
- repayable within 5 years not by instalments	13,662	27,830
On all other loans	97,486	85,916
	111,148	113,746

Included in the above is the interest element of charges payable under hire purchase contracts amounting to £1,642 (1993 - £1,642).

8 Net transfer fees receivable (payable)

	1994 £	1993 £
Transfer fees receivable	125,000	530,000
Transfer fees payable	(247,500)	(250,560)
	(122,500)	279,440

9 Loss on ordinary activities before taxation

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

	1994 £	1993 £
Auditors' remuneration	13,000	10,300
Depreciation of tangible fixed assets		
- owned	4,992	4,952
- held under hire purchase contracts	4,860	4,860
Operating lease rentals		
- property	75,000	75,000
Loss on sale of fixed assets	-	455
Amounts written off investments (see note 14)	-	26,000
Staff costs (see note 10)	1,493,415	1,450,705

Football Trust Grants receivable during the year amounted to £nil (1993 - £2,900).

In addition to the auditors remuneration shown above the remuneration of the auditors during the year ended 31 July 1994 for non-audit services was £4,500 (1993 - £3,000).

10 Employee information

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

	1994 Number	1993 Number
Players	37	42
Administrative	15	14
	52	56

b) Staff costs for the above persons:

	1994 £	1993 £
Wages and salaries		
- players	1,032,910	1,046,732
- administrative	325,875	286,583
Social security costs	128,833	115,218
Pension costs	5,797	2,172
	1,493,415	1,450,705

11 Directors' emoluments

No director of the company received any remuneration from the company or its subsidiary undertaking during the year (1993 - £nil).

12 Taxation

Due to the incidence of tax losses, no current tax charge is required in respect of the year ended 31 July 1994 (1993 - £nil).

In the opinion of the directors, no provision for deferred taxation is required at 31 July 1994 (1993 - £nil) and there is no unprovided deferred tax (1993 - £nil).

13 Tangible fixed assets

Group

	Leasehold Ground Improvements £	Plant & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 August 1993	-	64,129	24,310	88,439
Additions	214,774	2,376	4,500	221,650
At 31 July 1994	214,774	66,505	28,810	310,089
Depreciation				
At 1 August 1993	-	31,079	6,885	37,964
Charge for the year	-	4,942	4,860	9,802
At 31 July 1994	-	36,021	11,745	47,766
Net Book Value				
At 31 July 1994	214,774	30,484	17,065	262,323
At 1 August 1993	-	33,050	17,425	50,475

Leasehold ground improvements relate to the cost of seating installed in Easter Road Stadium during the year, which will be used from the 1994/95 season onwards, and will be retained after the redevelopment of Easter Road Stadium (note 25).

The net book value of tangible fixed assets includes an amount of £17,065 (1993 - £17,425) in respect of motor vehicles held under hire purchase contracts.

Company

The company has no tangible fixed assets.

14 Fixed asset investments

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

	Company	
	1994	1993
	£	£
Investment in subsidiary undertaking	619,738	619,738

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

	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%
Hibernian Financial Services Limited*	Scotland	Marketing of financial products to supporters of Hibernian Football Club	Ordinary shares 100%

* Held through The Hibernian Football Club Limited.

During the prior year the company's subsidiary undertaking acquired 1 share in The Scottish Super League Limited for a consideration of £26,000. This investment has been fully written off.

15 Stocks

	Group	
	1994	1993
	£	£
Goods for resale	9,392	9,381

16 Debtors

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

Amounts falling due within one year:

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Other debtors	144,091	81,978	-	-
Transfer fees receivable	50,000	525,000	-	-
Leasehold ground improvements	182,710	-	-	-
Prepayments and accrued income	162,778	134,576	-	173
Amounts owed by subsidiary undertaking	-	-	-	10,349
	539,579	741,554	-	10,522
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertaking	-	-	150,000	150,000
Amounts owed by associated undertaking	489,000	489,000	489,000	489,000
	489,000	489,000	639,000	639,000

The company has waived its right to interest on the amounts owed by the associated undertaking indefinitely.

The company has given an indemnity not to seek repayment of the amounts owed by the subsidiary undertaking, as long as they are required to ensure that the subsidiary undertakings remain within their available borrowing facilities.

17 Creditors: Amounts falling due within one year

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

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Bank overdraft	402,246	282,087	-	10,590
Trade creditors	10,634	39,397	-	-
Other creditors	24,683	14,394	-	-
Transfer fees payable	-	235,000	-	-
Accruals and deferred income	1,057,248	752,627	259,175	162,824
Taxation and social security	97,894	126,516	-	-
Hire purchase creditors	4,105	4,106	-	-
Amounts owed to subsidiary undertakings	-	-	10,000	-
	1,596,810	1,454,127	269,175	173,414

18 Creditors: Amounts falling due after more than one year

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

	Group		Company	
	1994 £	1993 £	1994 £	1993 £
Hire purchase creditors	3,079	7,184	-	-
Repayable other than by instalments in more than five years:				
Loan stock 2001 (see below)	490,000	490,000	-	-
Other loans (see below)	560,879	560,879	560,879	560,879
	1,053,958	1,058,063	560,879	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. The loan stock is repayable to the Bank of Scotland and Mr T Farmer.

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

	Group & Company	
	1994 £	1993 £
Equity shares		
Authorised, allotted, called-up and fully paid:		
525,000 Ordinary Shares of £1 each	525,000	525,000
Non-equity shares		
325,000 Participating Redeemable Preference Shares of £1 each	325,000	325,000

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

	Profit & Loss Account	
	Group	Company
	£	£
At 1 August 1993	(2,065,087)	(315,033)
Retained loss for the year	(125,583)	(101,998)
At 31 July 1994	(2,190,670)	(417,031)

21 Reconciliation of operating loss to net cash outflow from operating activities

	1994	1993
	£	£
Operating profit (loss)	107,631	(208,070)
Transfer fees (payable) receivable	(122,500)	279,440
Loss on disposal of tangible fixed assets	-	455
Increase in stocks	(11)	(6,024)
Decrease (increase) in debtors	201,975	(368,879)
Increase in creditors	22,525	36,611
Depreciation	9,802	9,812
Net cash inflow (outflow) from operating activities	219,422	(256,655)

22 Analysis of changes in cash and cash equivalents during the period

	1994	1993
	£	£
At beginning of year	(275,394)	11,385
Net cash outflow	(117,048)	(286,779)
At end of year	(392,442)	(275,394)

23 Analysis of balances of cash and cash equivalents as shown in the balance sheet

	1994	1993
	£	£
Cash at bank and in hand	9,804	6,693
Bank overdraft	(402,246)	(282,087)
	(392,442)	(275,394)

24 Contingent liabilities and financial commitments

a) Capital Commitments

The group has no capital commitments at the beginning or end of the year.

b) Lease commitments

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

	Group	
	1994	1993
	£	£
Lease of Easter Road Stadium expiring after 5 years	75,000	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

The subsidiary undertaking has provided a bond and floating charge to the Bank of Scotland in relation to all sums payable to the bank. The operation of this security is subject to a ranking agreement between the subsidiary undertaking, the Bank of Scotland and Mr T. Farmer.

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.

e) Player related matters

All signing on fees and other amounts payable to playing staff earned by the year end have been provided in the financial statements. In addition, the group is committed to £73,000 (1993 - £127,600) 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 £55,000 (1993 - £53,000) are payable should certain players be selected at international level.

25 The Taylor Report

One of the company's subsidiaries, The Hibernian Football Club Limited, is currently performing work to meet the requirements of the Taylor Report which requires that football stadia be fully seated. Financing of this work is still to be finalised, however, the group's bankers have indicated that existing facilities will continue to be made available to the group, and the group's principal shareholder has indicated that he will provide the necessary additional financing.

26 Subsequent events

Subsequent to 31 July 1994 several players have renewed their contracts with the company, and as a result of this and new signings subsequent to 31 July 1994 the company is committed to a further £157,000 of signing on fees which will be payable if the players concerned stay with the Club for the duration of their contracts.

On 1 November 1994 the company agreed to pay a fee of £420,000 to secure the transfer of Patrick McGinlay from The Celtic Football and Athletic Company Limited.

On 1 January 1995 Brian Hamilton signed under freedom of contract for Heart of Midlothian Football Club plc, the fee receivable by the company will be established by a Compensation Tribunal of the Scottish Football League. Under the terms of this players transfer to the company, 25% of any transfer fee received in excess of £275,000 is payable to St Mirren Football Club Limited.