ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

HFC Holdings Limited and subsidiary undertakings

Accounts for the year ended 31 July 1995
together with directors' and auditors' reports

Registration number: 132607



Directors' report

For the year ended 31 July 1995

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 1995.

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	2,398,779
Loss on ordinary activities before taxation	(335,944)
Loss for the financial year	(335,944)

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

The directors do not recommend the payment of a dividend (1994-£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	
	1995	1994
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.

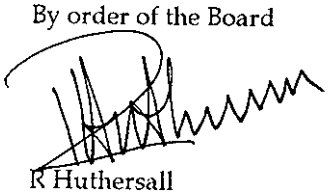
Employees

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

6 October 1996

Auditors' report

Edinburgh

To the Shareholders of HFC Holdings Limited:

We have audited the accounts on pages 4 to 17 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.

Without qualifying our opinion below, we draw attention to the net liability position of the group at 31 July 1995 and notes 1 and 25 which provide important information concerning the basis of preparing the accounts and the continuing financial support available to the group.

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 1995 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

Arthur Andersen
Chartered Accountants and Registered Auditors

18 Charlotte Square
Edinburgh
EH2 4DF

6 October 1996

Consolidated profit and loss account

For the year ended 31 July 1995

	Notes	1995 £	1994 £
Turnover	4	2,398,779	2,371,415
Operating expenses	5	(2,369,884)	(2,263,784)
Operating profit		28,895	107,631
Investment income	6	14,771	434
Interest payable and similar charges	7	(179,180)	(111,148)
Loss before transfer fees		(135,514)	(3,083)
Net transfer fees payable	8	(200,430)	(122,500)
Loss on ordinary activities before taxation	9	(335,944)	(125,583)
Taxation	12	-	-
Loss for the financial year	20	(335,944)	(125,583)

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 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible	13	52,862	262,323
Current assets			
Stocks	15	23,552	9,392
Debtors - due within one year	16	958,831	539,579
- due after more than one year	16	3,327,614	489,000
Cash at bank and in hand		221,677	9,804
		4,531,674	1,047,775
Creditors: Amounts falling due within one year	17	(2,737,242)	(1,596,810)
Net current assets/(liabilities)		1,794,432	(549,035)
Total assets less current liabilities		1,847,294	(286,712)
Creditors: Amounts falling due after more than one year	18	(3,304,935)	(1,053,958)
Net liabilities		(1,457,641)	(1,340,670)
Capital and reserves			
Called-up share capital	19	850,000	850,000
Other reserves	20	218,973	-
Profit and loss account	20	(2,526,614)	(2,190,670)
Total capital deficit		(1,457,641)	(1,340,670)

Signed on behalf of the Board



Robert Huthersall
Director

6 October 1996

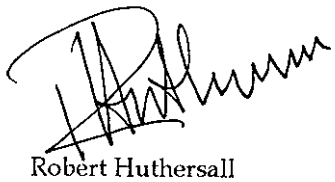
The accompanying notes form an integral part of this consolidated balance sheet.

Company balance sheet

31 July 1995

	Notes	1995 £	1994 £
Fixed assets			
Investments	14	619,738	619,738
Current assets			
Debtors - due within one year	16	184,458	-
- due after more than one year	16	3,477,614	639,000
Cash at bank and in hand		-	4,285
		3,662,072	643,285
Creditors: Amounts falling due within one year	17	(1,153,377)	(269,175)
Net current assets		2,508,695	374,110
Total assets less current liabilities		3,128,433	993,848
Creditors: Amounts falling due after more than one year	18	(2,814,935)	(560,879)
Net assets		313,498	432,969
Capital and reserves			
Called-up share capital	19	850,000	850,000
Profit and loss account	20	(536,502)	(417,031)
Capital employed		313,498	432,969

Signed on behalf of the Board



Robert Huthersall
Director

6 October 1996

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

Consolidated cash flow statement

For the year ended 31 July 1995

	Notes	1995 £	1994 £
Net cash inflow from operating activities	21	824,519	219,422
Returns on investments and servicing of finance			
Interest received		14,771	434
Interest paid		(177,538)	(109,506)
Interest element of hire purchase contracts		(1,642)	(1,642)
Net cash outflow from returns on investments and servicing of finance		(164,409)	(110,714)
Investing activities			
Payments to acquire tangible fixed assets		(56,621)	(221,650)
Receipts from sales of tangible fixed assets		149	-
Loan to associated company		(2,838,614)	-
Net cash outflow from investing activities		(2,895,086)	(221,650)
Net cash outflow before financing		(2,234,976)	(112,942)
Financing			
Hibs "100" funding received		218,973	-
New loans		2,254,056	-
Payments on hire purchase contracts		(4,105)	(4,106)
Net cash inflow (outflow) from financing		2,468,924	(4,106)
Increase (decrease) in cash and cash equivalents	22	233,948	(117,048)

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

Notes to accounts

31 July 1995

1 Basis of preparation of accounts

The group accounts show a capital deficit and a loss for the financial year after transfer fees. The directors consider that current financing facilities, taken in conjunction with a commitment to the company by a shareholder to provide continuing financial support, are sufficient to meet trading requirements in the foreseeable future. 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 1995. 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 £119,471 (1994 - £101,998).

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

	1995 £	1994 £
Staff costs (see note 10)	1,636,883	1,493,415
Administration expenses	733,001	770,369
	2,369,884	2,263,784

6 Investment income

Investment income comprises:

	1995 £	1994 £
Interest receivable and similar income	14,771	434

7 Interest payable and similar charges

	1995 £	1994 £
On bank loans and overdrafts and other loans:		
- repayable within 5 years not by instalments	54,985	13,662
On all other loans	124,195	97,486
	179,180	111,148

Included in the above is the interest element of charges payable under hire purchase contracts amounting to £1,642 (1994 - £1,642).

8 Net transfer fees payable

	1995 £	1994 £
Transfer fees receivable	260,000	125,000
Transfer fees payable	(460,430)	(247,500)
	(200,430)	(122,500)

9 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging/(crediting):

	1995 £	1994 £
Auditors' remuneration	12,500	13,000
Depreciation of tangible fixed assets		
- owned	22,606	4,992
- held under hire purchase contracts	-	4,860
Operating lease rentals		
- property	75,000	75,000
Loss on sale of fixed assets	219	-
Amounts written off investments (see note 14)	2	-
Costs and lost income reimbursed	(158,671)	-
Staff costs (see note 10)	1,636,883	1,493,415

During the year, the company's subsidiary undertaking was reimbursed by the landlord of the Easter Road stadium (note 24) for costs incurred and income lost during the redevelopment of Easter Road stadium where such costs or losses were related to the redevelopment.

In addition to the auditors remuneration shown above the remuneration of the auditors during the year ended 31 July 1995 for non-audit services was £4,200 (1994 - £4,500).

10 Employee information

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

	1995 Number	1994 Number
Players	38	37
Administrative	15	15
	53	52

b) Staff costs for the above persons:

	1995 £	1994 £
Wages and salaries		
- players	1,117,174	1,032,910
- administrative	379,304	325,875
Social security costs	134,307	128,833
Pension costs	6,098	5,797
	1,636,883	1,493,415

11 Directors' emoluments

No director of the company received any remuneration from the company or its subsidiary undertaking during the year (1994 - £nil).

12 Taxation

Due to the incidence of tax losses, no current tax charge is required in respect of the year ended 31 July 1995 (1994 - £nil).

In the opinion of the directors, no provision for deferred taxation is required at 31 July 1995 (1994 - £nil) and there is no unprovided deferred tax (1994 - £nil).

13 Tangible fixed assets

Group

	Leasehold Ground Improvements £	Plant & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 August 1994	214,774	66,505	28,810	310,089
Additions	40,607	16,014	-	56,621
Disposals	(255,381)	(895)	-	(256,276)
At 31 July 1995	-	81,624	28,810	110,434
Depreciation				
At 1 August 1994	-	36,021	11,745	47,766
Charge for the year	12,273	5,473	4,860	22,606
Disposals	(12,273)	(527)	-	(12,800)
At 31 July 1995	-	40,967	16,605	57,572
Net Book Value				
At 31 July 1995	-	40,657	12,205	52,862
At 1 August 1994	214,774	30,484	17,065	262,323

Leasehold ground improvements, which related to the cost of seating installed in Easter Road Stadium during both the current and prior years, were sold during the year at cost to a property company connected with the principal shareholder in the holding company, pursuant to the stadium redevelopment described in note 25.

The net book value of tangible fixed assets includes an amount of £12,205 (1994 - £17,065) 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	
	1995	1994
	£	£
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.

The Company's subsidiary owns 100% of the issued share capital of Hibernian Financial Services Limited, a company which was an appointed representative of the London and Manchester Marketing Group and involved in the marketing of financial products to supporters of Hibernian Football Club. Hibernian Financial Services Limited ceased trading during the year, and the investment held by the company's subsidiary has been fully written off.

The company's subsidiary undertaking owns 1 share in The Scottish Super League Limited, which cost £26,000, and was fully provided for in 1993.

15 Stocks

Group

	1995	1994
	£	£
Goods for resale	23,552	9,392

Company

The company has no stocks

16 Debtors

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

Amounts falling due within one year:

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
VAT	-	-	184,458	-
Other debtors	887,406	144,091	-	-
Transfer fees receivable	-	50,000	-	-
Leasehold ground improvements	-	182,710	-	-
Prepayments and accrued income	71,425	162,778	-	-
	958,831	539,579	184,458	-
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
Amounts owed by associated undertaking	2,838,614	-	2,838,614	-
	3,327,614	489,000	3,477,614	639,000

Amounts owed by subsidiary undertakings represents a loan to The Hibernian Football Club Limited which is interest free and has no set terms for repayment.

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

The amount of £489,000 owed by associated undertaking represents a loan to HFC Properties Limited a company in which Mr T Farmer has a 50% interest, and is repayable upon the earlier of the sale of the freehold land and buildings owned by HFC Properties Limited or 31 July 2000. The company has waived its right to interest on this loan.

The amount of £2,838,614 owed by associated undertaking represents a loan to HFC Properties Limited, which has no fixed repayment terms. This loan bears interest at 1% over Bank of Scotland base rate.

17 Creditors: Amounts falling due within one year

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

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Bank overdraft	380,171	402,246	10,018	-
Trade creditors	25,411	10,634	-	-
Other creditors	15,427	24,683	-	-
Transfer fees payable	42,500	-	-	-
Accruals and deferred income	2,136,081	1,057,248	1,143,359	259,175
Taxation and social security	134,573	97,894	-	-
Hire purchase creditors	3,079	4,105	-	-
Amounts owed to subsidiary undertakings	-	-	-	10,000
	2,737,242	1,596,810	1,153,377	269,175

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	
	1995	1994	1995	1994
	£	£	£	£
Hire purchase creditors	-	3,079	-	-
Repayable other than by instalments in more than five years:				
Loan stock 2001 (see below)	490,000	490,000	-	-
Other loans (see below)	2,814,935	560,879	2,814,935	560,879
	3,304,935	1,053,958	2,814,935	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, £1,550,000 relates to amounts from Mr T Farmer, £550,000 of this is repayable on 31 July 2000, with interest accruing on a compound basis at a rate of 13.5% annually. There is an additional £1 million loan due to Mr T Farmer, which has no fixed repayment date. The interest on this loan accrues on a compound basis at a rate of 8% 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). The remainder of the balance represents a bank loan from the Bank of Scotland.

19 Called-up share capital

	Group & Company	
	1995 £	1994 £
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
	850,000	850,000

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

	Other Reserves		Profit & Loss Account	
	Group £	Company £	Group £	Company £
At 1 August 1994	-	-	(2,190,670)	(417,031)
Hibs "100"	218,973	-	-	-
Loss for the financial year	-	-	(335,944)	(119,471)
At 31 July 1995	218,973	-	(2,526,614)	(536,502)

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

	1995 £	1994 £
Operating profit	28,893	107,631
Transfer fees payable	(200,430)	(122,500)
Loss on disposal of tangible fixed assets	219	-
Increase in stocks	(14,160)	(11)
(Increase)/decrease in debtors	(176,142)	201,975
Increase in creditors	1,163,533	22,525
Depreciation	22,606	9,802
Net cash inflow from operating activities	824,519	219,422

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

	1995 £	1994 £
At beginning of year	(392,442)	(275,394)
Net cash inflow/(outflow)	233,948	(117,048)
At end of year	(158,494)	(392,442)

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

	1995 £	1994 £
Cash at bank and in hand	221,677	9,804
Bank overdraft	(380,171)	(402,246)
	(158,494)	(392,442)

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 1995 £	1994 £
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.

24 Contingent liabilities and financial commitments (continued)

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 £166,000 (1994 - £73,000) of deferred signing on fees which become payable to those players who stay with the club for the duration of their current contracts.

Additional transfer fees of £45,000 (1994 - £55,000) are payable should certain players be selected at international level.

25 The Taylor Report and Working Capital Facilities

The Taylor Report required Scottish premier league clubs to have all-seated stadia. The Directors of The Hibernian Football Club Limited examined the best course of action for the Club and concluded that phased redevelopment of the existing Easter Road Stadium best achieved the objectives of the Club, the supporters and the Club's financial backers. Subsequent to year end, working capital facilities have been established to meet the Club's requirements for the foreseeable future.

26 Subsequent events relating to The Hibernian Football Club Limited

Subsequent to 31 July 1995 several players have renewed their contracts with the company, and as a result of this and new signings subsequent to 31 July 1995 the company is committed to a further £72,750 of signing on fees which will be payable if the players concerned stay with the Club for the duration of their contracts.

On 3 March 1996, the company agreed to pay a fee of £125,000 (VAT exclusive) to secure the transfer of Andrew Dow from Chelsea Football Club.

On 19 July 1996, Michael O'Neill was sold to Coventry City Football Club for a sum of £400,000 (VAT exclusive).

27 Related party transactions

Mr K McLean, a director of The Hibernian Football Club Limited, was a shareholder in Carricknowe Building Services Limited. During the year, the company paid £28,717 for services provided by Carricknowe Building Services Limited in connection with the installation of seating at Easter Road Stadium.