HFC Holdings Limited and subsidiary undertakings

Accounts for the year ended 31 July 1996
together with directors' and auditors' reports

Registration number: 132607





Directors' report
For the year ended 31 July 1996

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 1996.

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

Results
The results for the year are as follows:

	Group £
Turnover	3,067,589
Loss on ordinary activities before taxation	(391,665)
Loss for the financial year	(391,665)

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

The directors do not recommend the payment of a dividend (1995-£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	
	1996	1995
T Farmer	525,000	525,000
R Huthersall	-	-
R M Petrie (appointed 22 January 1997)	-	-

Information regarding changes in directors shareholding is contained in "subsequent events" below.

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;

Directors' responsibilities (continued)

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

- 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.

Subsequent Events

Subsequent to the year end the following events took place:

i) the rights attaching to the participating redeemable preference shares were varied to rank, pari passu, in all respects, with the ordinary shares, and such shares were reclassified as ordinary shares.

ii) The authorised share capital of the company was increased to £3,850,000 by the creation of an additional 3,000,000 ordinary shares.

iii) The company acquired from Mr T Farmer the entire issued share capital of HFC Properties Limited in return for one ordinary share of the company. At the time of acquisition, HFC Properties Limited had net liabilities of approximately £1 million.

iv) The business, assets and liabilities of HFC Properties Limited were transferred to the company.

v) Mr R M Petrie acquired 335,000 ordinary shares from Mr T Farmer.

vi) Mr T Farmer subscribed £2,499,999 for an additional 2,499,999 ordinary shares of £1 each at par. The proceeds of the issue were applied to reduce the group's bank borrowings.

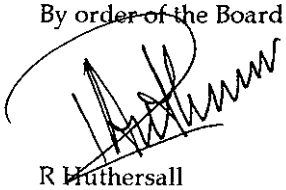
Employees

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

23 April 1997

Auditors' report

Edinburgh

To the Shareholders of HFC Holdings Limited:

We have audited the accounts on pages 5 to 22 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 1996 and notes 1 and 29 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 1996 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

23 April 1997

Consolidated profit and loss account

For the year ended 31 July 1996

	Notes	1996 £	1995 As restated £
Turnover	4	3,067,589	2,398,779
Operating expenses	5	(3,328,837)	(2,369,884)
Operating (loss)/profit		(261,248)	28,895
Investment income	6	157,149	14,771
Interest payable and similar charges	7	(431,540)	(179,180)
Loss before transfer fees		(535,639)	(135,514)
Net transfer fees receivable	8	143,974	66,667
Loss on ordinary activities before taxation	9	(391,665)	(68,847)
Taxation	12	-	-
Loss for the financial year	20	(391,665)	(68,847)

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 1996

	Notes	1996 £	1995 As restated £
Fixed assets			
Tangible	13	218,429	52,862
Current assets			
Stocks	15	80,223	23,552
Debtors - due within one year	16	826,917	1,198,831
- due after more than one year	16	4,169,563	3,514,711
Cash at bank and in hand		446,745	221,677
		5,523,448	4,958,771
Creditors: Amounts falling due within one year	17	(4,741,768)	(2,737,242)
Net current assets		781,680	2,221,529
Total assets less current liabilities		1,000,109	2,274,391
Creditors: Amounts falling due after more than one year	18	(2,390,240)	(3,304,935)
Net liabilities		(1,390,131)	(1,030,544)
Capital and reserves			
Called-up share capital	19	850,000	850,000
Other reserves	20	251,051	218,973
Profit and loss account	20	(2,491,182)	(2,099,517)
Total capital deficit		(1,390,131)	(1,030,544)

Signed on behalf of the Board

R Huthersall
Director

23 April 1997

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

Company balance sheet

31 July 1996

	Notes	1996 £	1995 £
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	4,214,049	3,477,614
Cash at bank and in hand		173,840	-
		4,387,889	3,662,072
Creditors: Amounts falling due within one year	17	(3,058,001)	(1,153,377)
Net current assets		1,329,888	2,508,695
Total assets less current liabilities		1,949,626	3,128,433
Creditors: Amounts falling due after more than one year	18	(1,900,240)	(2,814,935)
Net assets		49,386	313,498
Capital and reserves			
Called-up share capital	19	850,000	850,000
Profit and loss account	20	(800,614)	(536,502)
Capital employed		49,386	313,498

Signed on behalf of the Board

R Huthersall
Director

23 April 1997

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

Consolidated cash flow statement

For the year ended 31 July 1996

	Notes	1996 £	1995 As restated £
Net cash (outflow)/inflow from operating activities	21	(452,728)	932,449
Transfer fees			
Transfer fees received		300,000	310,000
Transfer fees paid		(127,500)	(417,930)
Net cash inflow/(outflow) from transfer fees		172,500	(107,930)
Returns on investments and servicing of finance			
Interest received		157,149	14,771
Interest paid		(431,540)	(177,538)
Interest element of hire purchase contracts		-	(1,642)
Net cash outflow from returns on investments and servicing of finance		(274,391)	(164,409)
Investing activities			
Payments to acquire tangible fixed assets		(200,604)	(56,621)
Receipts from sales of tangible fixed assets		9,525	149
Loan to associated company		-	(2,838,614)
Net cash outflow from investing activities		(191,079)	(2,895,086)
Net cash outflow before financing		(745,698)	(2,234,976)
Financing			
Hibs "100" funding received		32,078	218,973
New loans		-	2,254,056
Repayment of loans		(911,616)	-
Payments on hire purchase contracts		(3,079)	(4,105)
Net cash (outflow)/inflow from financing		(882,617)	2,468,924
(Decrease)/increase in cash and cash equivalents	22	(1,623,315)	233,948

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

Notes to accounts

31 July 1996

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 the preceding year, except for the change in basis of accounting for transfer fees detailed in 2f), 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 undertakings made up to 31 July 1996. 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 (if these are not capitalised). 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) Transfer fees

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

Transfer fees payable are amortised over the period of the respective players' contracts. This represents a change from the policy applied in prior years, when transfer fees payable were included in the profit and loss account in the year in which the transfer contract was signed.

A prior year adjustment has been recorded to ensure that the prior period results are prepared on a consistent basis with those in the current year, and accordingly various captions in the prior year accounts have been restated from the way in which they were previously reported. For further information, see note 27.

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 and commissions earned in the marketing of financial products to supporters of Hibernian Football Club.

j) 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.

2 Principal accounting policies (continued)

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 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 £264,112 (1995 - £119,471).

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

	1996 £	1995 £
Staff costs (see note 10)	2,047,464	1,636,883
Administration expenses	1,281,373	733,001
	3,328,837	2,369,884

6 Investment income

Investment income comprises:

	1996 £	1995 £
Interest receivable and similar income	157,149	14,771

7 Interest payable and similar charges

	1996 £	1995 £
On bank loans and overdrafts and other loans:		
- repayable within 5 years not by instalments	53,267	54,985
On all other loans	378,273	124,195
	431,540	179,180

Included in the above is the interest element of charges payable under hire purchase contracts amounting to £nil (1995 - £1,642).

8 Net transfer fees payable

	1996 £	1995 As restated £
Transfer fees receivable	400,000	260,000
Transfer fees payable	(256,026)	(193,333)
	143,974	66,667

Additional information relating to a change in the company's accounting policy for transfer fees is provided in note 27.

9 Loss on ordinary activities before taxation

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

	1996 £	1995 £
Auditors' remuneration	16,000	12,500
Depreciation of tangible fixed assets		
- owned	25,133	22,606
Operating lease rentals		
- property	75,000	75,000
Loss on sale of fixed assets	382	219
Amounts written off investments (see note 14)	-	2
Costs and lost income reimbursed	-	(158,671)
Staff costs (see note 10)	2,047,464	1,636,883

In the prior year, one of the company's subsidiary undertakings, The Hibernian Football Club Limited, 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 1996 for non-audit services was £4,000 (1995 - £4,200).

10 Employee information

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

	1996 Number	1995 Number
Players	37	38
Administrative	19	15
	56	53

b) Staff costs for the above persons:

	1996 £	1995 £
Wages and salaries	1,858,469	1,496,478
Social security costs	181,475	134,307
Pension costs	7,520	6,098
	2,047,464	1,636,883

11 Directors' emoluments

No director of the company received any remuneration from the company or its subsidiary undertaking during the year (1995 - £nil).

12 Taxation

Due to the incidence of tax losses, no current tax charge is required in respect of the year ended 31 July 1996 (1995 - £nil).

In the opinion of the directors, no provision for deferred taxation is required at 31 July 1996 (1995 - £nil) and there is no unprovided deferred tax (1995 - £nil).

13 Tangible fixed assets

Group

	Leasehold Ground Improvements £	Plant & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 August 1995	-	81,624	28,810	110,434
Additions	39,784	160,820	-	200,604
Disposals	-	(2,823)	(24,310)	(27,133)
At 31 July 1996	39,784	239,621	4,500	283,905
Depreciation				
At 1 August 1995	-	40,967	16,605	57,572
Charge	2,387	22,746	-	25,133
Disposals	-	(624)	(16,605)	(17,229)
At 31 July 1996	2,387	63,089	-	65,476
Net Book Value				
At 31 July 1996	37,397	176,532	4,500	218,429
At 1 August 1995	-	40,657	12,205	52,862

Leasehold ground improvements, which related to the cost of seating installed in Easter Road Stadium in prior years, were sold during the prior year at cost to a property company connected with the principal shareholder in the holding company (note 24).

The net book value of tangible fixed assets includes an amount of £nil (1995 - £12,205) 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	
	1996	1995
	£	£
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%
Hibernian Hospitality Limited	Scotland	Hospitality Services	Ordinary shares 100%

* Held through The Hibernian Football Club Limited.

One of the company's subsidiary undertakings, The Hibernian Football Club Limited, 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 prior 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	1996	1995
	£	£
Goods for resale	80,223	23,552

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	
	1996	1995 As restated	1996	1995
	£	£	£	£
Transfer fees receivable	100,000	-	-	-
Other debtors	445,806	887,406	-	-
VAT	-	-	-	184,458
Transfer fees prepaid	190,557	240,000	-	-
Signing on fees prepaid	27,793	-	-	-
Prepayments and accrued income	62,759	71,425	-	-
	826,915	1,198,831	-	184,458
Amounts falling due after more than one year:				
Transfer fees prepaid	105,514	187,097	-	-
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	3,575,049	2,838,614	3,575,049	2,838,614
	4,169,563	3,514,711	4,214,049	3,477,614

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 its available borrowing facilities.

16 Debtors (continued)

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 £3,575,049 owed by associated undertaking represents a loan to HFC Properties Limited, which has no fixed repayment terms. This loan bears interest at 2% 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	
	1996	1995	1996	1995
	£	£	£	£
Bank overdraft	2,228,554	380,171	1,985,033	10,018
Trade creditors	236,919	25,411	-	-
Other creditors	34,618	15,427	-	-
VAT	397,146	-	203,374	-
Transfer fees payable	40,000	42,500	-	-
Accruals and deferred income	1,717,050	2,136,081	855,420	1,143,359
Taxation and social security	87,481	134,573	-	-
Hire purchase creditors	-	3,079	-	-
Amounts owed to subsidiary undertakings	-	-	14,174	-
	4,741,768	2,737,242	3,058,001	1,153,377

The bank overdraft is secured by a bond and floating charge over the assets of the company.

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	
	1996	1995	1996	1995
	£	£	£	£
Repayable other than by instalments in more than five years:				
Loan stock 2001 (see below)	490,000	490,000	-	-
Other loans (see below)	1,900,240	2,814,935	1,900,240	2,814,935
	2,390,240	3,304,935	1,900,240	2,814,935

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 Hibernian Football Club Limited. The loan stock is repayable to the Bank of Scotland and Mr T Farmer.

See note 25 (ii) for further information regarding the terms of the Loan stock 2001.

Of the other loans, £1,900,240 relates to amounts from Mr T Farmer, £550,240 of this amount is repayable on 31 July 2000, with interest accruing on a compound basis at a rate of 13.5% annually. There is an additional £1,350,000 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 in the previous year represents a bank loan from the Bank of Scotland.

19 Called-up share capital

	Group & Company	
	1996	1995
	£	£
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

See note 28 (i) and (ii) for further information regarding the company's share capital.

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 1995				
As previously stated	218,973	-	(2,526,614)	(536,502)
Prior year adjustment (note 27)	-	-	427,097	-
As restated	218,973	-	(2,099,517)	(536,502)
Hibs "100"	32,078	-	-	-
Loss for the financial year	-	-	(391,665)	(264,112)
At 31 July 1996	251,051	-	(2,491,182)	(800,614)

During the prior year, one of the company's subsidiaries, The Hibernian Football Club Limited, set up "Hibs 100" whereby supporters could donate funds towards the benefit of that company. These funds are not repayable or redeemable under any circumstances, nor do they confer any voting or participation rights on those making the contribution.

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

	1996 £	1995 As restated £
Operating (loss)/profit	(261,248)	28,893
Loss on disposal of tangible fixed assets	382	219
Increase in stocks	(56,671)	(14,160)
Increase in debtors	(531,053)	(420,214)
Increase in creditors	156,143	1,121,033
Amortisation of prepaid signing fees	214,586	194,072
Depreciation	25,133	22,606
Net cash (outflow)/inflow from operating activities	(452,728)	932,449

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

	1996 £	1995 £
At beginning of year	(158,494)	(392,442)
Net cash (outflow)/inflow	(1,623,315)	233,948
At end of year	(1,781,809)	(158,494)

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

	1996 £	1995 £
Cash at bank and in hand	446,745	221,677
Bank overdraft	(2,228,554)	(380,171)
	(1,781,809)	(158,494)

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 1996 £	1995 £
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

One of the company's subsidiary undertakings, The Hibernian Football Club Limited, 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 £170,250 (1995 - £166,000) 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 £25,000 (1995 - £45,000) are payable should certain players be selected at international level.

25 Subsequent events relating to The Hibernian Football Club Limited

i) Subsequent to 31 July 1996 several players have renewed their contracts with the company, and as a result of this and new signings subsequent to 31 July 1996 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.

(ii) Subsequent to 31 July 1996 the terms governing the interest payable on the Loan stock 2001 were varied such that interest is now payable at a rate of 1% per annum until 31 July 1997. Thereafter; the rate of interest payable shall be reviewed, and in the event that no agreement is reached, charged at a rate of 5% per annum.

26 Related party transactions

Mr D Cromb, chairman of The Hibernian Football Club Limited, is a shareholder in Innes and Cromb Limited. During the year, this company was paid £8,895 (including VAT) for purchases of goods for resale.

27 Prior year adjustment

The group's previous policy for accounting for transfer fees payable to be charged in the profit and loss account in the year in which the transfer contract is signed has been changed during the year. Transfer fees are now charged to the profit and loss accounts over the length of the players contract. The Directors consider that the new policy provides a fairer presentation of the financial position because it relates the transfer fee to the period of the contract.

The effects of the change in policy are summarised below:

	1996 £	1995 £
A) **Profit and loss account**		
Transfer fees	131,026	(267,097)
Decrease/(increase) in profit for the financial year	131,026	(267,097)
B) **Balance sheet**		
Debtors within one year:		
- prepaid transfer fees	190,557	240,000
Debtors due greater than one year:		
- prepaid transfer fees	105,514	187,097
Net increase in current assets	296,071	427,097

In addition, the above change in policy resulted in a £160,000 increase in the group's profit and loss account at 1 August 1995.

28 Subsequent events

Subsequent to the year end the following events took place:

(i) the rights attaching to the participating redeemable preference shares were varied to rank, pari passu, in all respects, with the ordinary shares and such shares were reclassified as ordinary shares.

(ii) The authorised share capital of the company was increased to £3,850,000 by the creation of an additional 3,000,000 ordinary shares.

(iii) The company acquired from Mr T Farmer the entire issued share capital of HFC Properties Limited in return for one ordinary share of the company. At the time of acquisition HFC Properties had net liabilities of approximately £1 million.

(iv) The business, assets and liabilities of HFC Properties Limited were transferred to the company at net book value.

(v) Two additional subsequent events relating to The Hibernian Football Club Limited are referred to in note 25.

(vi) Mr T Farmer subscribed £2,499,999 for an issue of 2,499,999 ordinary shares of £1 each at par.

29 Going concern

The accounts have been prepared under the going concern assumption which assumes that the company will be able to pay its liabilities as they fall due.

Should the company 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.

The company is currently in a net liability position whereby its liabilities exceed the value of its assets, as measured by the values attributed to these liabilities and assets on the face of the balance sheet. The directors have received confirmation from Mr T Farmer, a significant shareholder, that it is his present intention to provide the necessary funding to enable the company to meet its liabilities as and when they fall due.