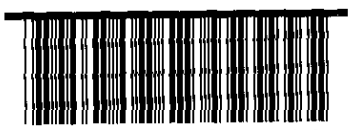
HFC Holdings Limited

Directors' report and financial statements

Registered number 132607

31 July 2001



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Directors' report

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 July 2001.

Principal activity

The company's principal activity is to act as a holding company of a group of companies. The group's principal trading subsidiary is The Hibernian Football Club Limited.

The subsidiary undertakings held by the company are listed in note 11 to the accounts. Consolidated accounts have not been prepared as the company takes advantage of the exemption afforded by Section 248 of the Companies Act 1985.

Results

The profit and loss account for the year ended 31 July 2001 is set out on page 3. The directors do not recommend the payment of a dividend (*2000 - nil*).

Directors and their interests

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

	2001	2000
Sir Tom Farmer CBE KCSG	**3,015,000**	3,015,000
R M Petrie	**335,000**	335,000

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 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
- 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 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.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint KPMG as auditors for the ensuing year.

By order of the Board

G Johnston
Secretary

12 Albion Place
Edinburgh
EH7 5QG
15 January 2002

KPMG

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Report of the auditors to the members of HFC Holdings Limited

We have audited the financial statements on pages 3 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1 , the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

15 January 2002

Profit and loss account

for the year ended 31 July 2001

	Notes	**2001** £	2000 £
Turnover	*3*	**24,000**	24,000
Operating (expenses)/income	*4*	**(19,981)**	807
Operating profit		**4,019**	24,807
Gain on disposal of investment		**5,906**	-
Profit before interest and taxation		**9,925**	24,807
Interest receivable and similar income	*6*	**812**	2,158
Interest payable and similar charges	*7*	**(183,128)**	(160,805)
Loss on ordinary activities before taxation	*8*	**(172,391)**	(133,840)
Taxation	*9*	**-**	-
Loss for the financial year	*16*	**(172,391)**	(133,840)

There are no recognised gains or losses other than the loss for the financial year and the preceding financial year.

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

Balance sheet
at 31 July 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	10	**660,146**	676,614
Investments	11	**4,119,395**	4,119,839
		4,779,541	4,796,453
Current assets			
Cash at bank and in hand		**29,277**	43,456
Debtors due after one year	12	**2,679,875**	2,725,994
		2,709,152	2,769,450
Creditors: Amounts falling due within one year	13	**(2,665,189)**	(2,570,008)
Net current assets		**43,963**	199,442
Total assets less current liabilities		**4,823,504**	4,995,895
Creditors: Amounts falling due after more than one year	14	**(7,096,000)**	(7,096,000)
Net liabilities		**(2,272,496)**	(2,100,105)
Capital and reserves			
Called-up share capital	15	**3,350,000**	3,350,000
Profit and loss account	16	**(5,622,496)**	(5,450,105)
Deficit on shareholders' funds		**(2,272,496)**	(2,100,105)

These financial statements were approved by the board of directors on 15 January 2002 and were signed on its behalf by:

RM Petrie
Director

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

Cash flow statement
for the year ended 31 July 2001

	Notes	2001 £	2000 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		**4,019**	24,807
Depreciation charges		**6,468**	6,468
Decrease in debtors		**46,119**	271
(Decrease)/increase in creditors		**(37,866)**	(3,844)
Net cash inflow from operating activities		**18,740**	27,702

Cash flow statement

Net cash inflow/(outflow) from operating activities		**18,740**	27,702
Returns on investment and servicing of finance	*18*	**(49,269)**	2,158
Capital expenditure and financial investment	*18*	**16,350**	-
Financing	*18*	**-**	-
(Decrease)/increase in cash		**(14,179)**	29,860
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash		**(14,179)**	29,860
Loan received from principal shareholder		**-**	(2,096,000)
Movement in net debt in the period	*18*	**(14,179)**	(2,066,140)
Net debt at start of the period		**(8,902,544)**	(6,836,404)
Net debt at the end of the period	*19*	**(8,916,723)**	(8,902,544)

Notes
(forming part of the financial statements)

1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis which is dependent on the continuing support of the principal shareholder which has been confirmed.

2 Principal accounting policies

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

a) *Basis of accounting*

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

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 248 of the Companies Act 1985. These financial statements present information about the company as an individual undertaking and not about its group.

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:

Buildings	2%

No depreciation is provided on freehold land.

c) *Taxation*

The charge for taxation is based on the result for the period as adjusted for the tax treatment of certain items. Provision is made in respect of all material tax timing differences to the extent that the directors believe it is probable that a liability or asset will crystallise.

3 Turnover

Turnover comprises rental income.

4 Operating expenses

	2001	2000
	£	£
Staff costs	**-**	-
Other operating charges – *(2000: net of a write-back of provisions of £8,301)*	**19,981**	(807)
	19,981	(807)

5 Employee information and directors' emoluments

The company has no employees other than its directors *(2000* - nil). The directors received no emoluments from the company in the current or preceding financial year.

6 Interest receivable and similar income

	2001	2000
	£	£
Bank interest receivable	**812**	2,158

Notes *(continued)*

7 Interest payable and similar charges

	2001 £	2000 £
Bank loans and overdrafts	**91,515**	85,369
Other loans	**91,613**	75,436
	183,128	160,805

8 Loss on ordinary activities before taxation

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

	2001 £	2000 £
Auditors' remuneration	**1,700**	1,700
Depreciation of owned tangible fixed assets	**6,468**	6,468

9 Taxation

There is no corporation tax payable on the loss for the year (*2000 - nil*). No provision for deferred taxation is required at 31 July 2001 (*2000 - nil*) and there is no unprovided deferred taxation.

10 Tangible fixed assets

	Freehold land & buildings £
Cost	
At start of year	683,082
Disposals	(10,000)
At end of year	673,082
Depreciation	
At start of year	6,468
Charge	6,468
At end of year	12,936
Net book value	
At 31 July 2001	**660,146**
At 31 July 2000	676,614

Included within land and buildings is land with a value of £347,391 (*2000: £357,391*) which is not subject to depreciation.

Notes *(continued)*

11 Fixed asset investments

Investment in subsidiary undertakings:

	£
At 1 August 2000	4,119,839
Disposals	(444)
At 31 July 2001	**4,119,395**

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 98%
Hibernian Hospitality Limited	*Scotland*	*Dormant*	*Ordinary shares 100%*
Hibernian Financial Limited	Scotland	Dormant	Ordinary shares 100%
HFC Properties Limited	Scotland	Dormant	Ordinary shares 100%

12 Debtors

	2001 £	2000 £
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	**2,679,875**	2,725,994

The amount owed by subsidiary undertakings falling due after more than one year represents loans to The Hibernian Football Club Limited which bear interest at a rate of 1% over the Bank of Scotland Base Rate currently in force. There are no set terms for repayment.

13 Creditors: Amounts falling due within one year

	2001 £	2000 £
Bank loan	**1,850,000**	1,850,000
Trade creditors	**-**	822
VAT	**905**	1,514
Accruals and deferred income	**814,284**	717,672
	2,665,189	2,570,008

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

Notes *(continued)*

14 Creditors: Amounts falling due after more than one year

	2001 £	2000 £
Unsecured loan stock	**5,000,000**	5,000,000
Loan from principal shareholder	**2,096,000**	2,096,000
	7,096,000	7,096,000

The unsecured loan stock is interest free with no specific terms for repayment. The loan from the principal shareholder has no specific terms for repayment and is secured by a standard security over the property of the company.

15 Equity share capital

	2001 £	2000 £
Ordinary shares of £1 each		
Authorised:	**3,850,000**	3,850,000
Allotted, called-up and fully paid	**3,350,000**	3,350,000

16 Profit and loss account

	£
Beginning of year	(5,450,105)
Loss for the financial year	(172,391)
End of year	**(5,622,496)**

17 Reconciliation of movement on shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	**(2,100,105)**	(1,966,265)
Loss for the financial year	**(172,391)**	(133,840)
Closing shareholders' funds	**(2,272,496)**	(2,100,185)

18 Analysis of cash flows

	2001 £	2000 £
Returns on investment and servicing of finance		
Interest received	**812**	2,158
Interest paid	**(50,081)**	-
	(49,269)	2,158
Capital expenditure and financial investment		
Payments to acquire fixed assets	**-**	-
Receipts from sale of assets	**10,000**	-
Receipts from sale of investments	**6,350**	-
	16,350	-

Notes *(continued)*

18 Analysis of cash flows *(continued)*

	2001 £	2000 £
Financing		
Loan received from principal shareholder	-	2,096,000
Loan to subsidiary undertaking	-	(2,096,000)
	-	-

19 Analysis of debt

	At beginning of year £	Cash flow £	At end of year £
Cash at bank	43,456	(14,179)	**29,277**
Bank loan	(1,850,000)	-	**(1,850,000)**
Unsecured loan stock	(5,000,000)	-	**(5,000,000)**
Loan from principal shareholder	(2,096,000)	-	**(2,096,000)**
	(8,902,544)	(14,197)	**(8,916,723)**

20 Related party transactions

During the year an office was rented to The Hibernian Football Club Limited for £24,000 (*2000: £24,000*) per annum and land was sold to The Hibernian Football Club Limited at market value of £10,000. Interest of £91,613 (*2000: £75,436*) was payable to the principal shareholder, Sir Tom Farmer for the year. Interest payable at the year end amounted to £563,226 (*2000: £523,072*).

21 Ultimate holding company

The ultimate holding company is Halecrown Investments Limited, a company registered in England. The principal beneficiary of the Halecrown Investments Limited shareholding in the company is Sir Tom Farmer CBE KCSG.