HFC Holdings Limited

Financial statements for the year ended 31 July 2004
together with Directors' and Auditors' Reports

Registration number: 132607



Directors' report

For the year ended 31 July 2004

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 2004.

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 2004 is set out on page 4. The directors do not recommend the payment of a dividend (2003 - nil).

Directors and their interests

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

	2004	2003
Sir Tom Farmer CBE KCSG	-	-
R M Petrie	335,000	335,000

In addition Sir Tom Farmer has a beneficial interest in 3,015,000 shares through his interest in Halecrown Investments Limited, the ultimate parent company.

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.

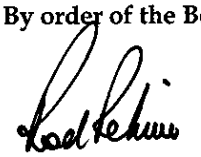
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report
For the year ended 31 July 2004

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the Board



R M Petrie
Company Secretary
12 Albion Place
Edinburgh
EH7 5QG
30 May 2005

Independent Auditor's report

To the Shareholders of H.F.C. Holdings Limited:
We have audited the financial statements on pages 4 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 1985. 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Edinburgh
Chartered Accountants
Registered Auditor

31 May 2005

Profit and loss account

for the year ended 31 July 2004

	Notes	2004	2003
		£	£
Turnover	3	24,000	24,000
Administrative expenses - operating		(19,235)	(13,018)
- exceptional	4	(5,760,000)	-
Operating (loss)/profit		(5,755,235)	10,982
Profit on sale of fixed assets – continuing operations		8,929,941	-
Interest receivable	6	507,176	232,846
Interest payable and similar charges	7	(52,765)	(380,943)
Profit/(loss) on ordinary activities before taxation	8	3,629,117	(137,115)
Taxation	9	-	-
Profit/(loss) for the financial year	16	3,629,117	(137,115)

There are no recognised gains or losses other than the profit for the financial year.

The accompanying notes form an integral part of the financial statements.

Balance Sheet

as at 31 July 2004

	Notes	2004	2003
		£	£
Fixed assets			
Tangible assets	10	293,305	647,210
Investments	11	4,116,560	4,117,230
		4,409,865	4,764,440
Current assets			
Debtors - due within one year	12	35,000	18,089
Cash at bank and in hand		241,778	43,693
		276,778	61,782
Creditors: Amounts falling due within one year	13	(28,948)	(4,078,341)
Net current assets/(liabilities)		247,830	(4,016,559)
Debtors - due after one year	12	1,440,000	5,416,697
Total assets less current liabilities		6,097,695	6,164,578
Creditors: Amounts falling due after more than one year	14	(5,000,000)	(8,696,000)
Net assets/(liabilities)		1,097,695	(2,531,422)
Capital and reserves			
Called-up share capital	15	3,350,000	3,350,000
Profit and loss account	16	(2,252,305)	(5,881,422)
Shareholders' funds/ (deficit on shareholders' funds)		1,097,695	(2,531,422)

These financial statements were approved by the Board of Directors on 30 May 2005, and were signed on its behalf by:

R M Petrie
Director

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

Cash Flow Statement

for the year ended 31 July 2004

	Notes	2004	2003
		£	£
Reconciliation of operating (loss)/profit to operating cash flows			
Operating (loss)/profit		(5,755,235)	10,982
Depreciation charges		6,514	6,468
Decrease/(increase) in debtors		3,959,786	(17,597)
Increase in creditors		15,917	7,931
Cash flow from operating activities		(1,773,018)	7,784
Cash Flow Statement			
Cash flow from operating activities		(1,773,018)	7,784
Returns on investment and servicing of finance	18	(1,260,899)	1,014
Capital expenditure and financial investment	18	9,278,002	1,320
Cash inflow before financing		6,244,085	10,118
Financing	18	(6,046,000)	-
Increase in cash in the period		198,085	10,118
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		198,085	10,118
Cash inflow /(outflow) from decrease/(increase) in debt		6,046,000	(1,100,000)
Movement in net debt in the period		6,244,085	(1,089,882)
Net debt at the start of the period		(11,002,307)	(9,912,425)
Net debt at the end of the period		(4,758,222)	(11,002,307)

Notes to the financial statements

for the year ended 31 July 2004

1 Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis, which is dependent upon 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 convention, 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 it's group.

b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost, less estimated residual value of tangible fixed assets by equal instalments over their expected useful economic lives as follows:

Buildings	2% per annum

No depreciation is provided on freehold land.

c) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

3 Turnover

	2004	2003
	£	£
Turnover comprises rental income	24,000	-

4 Exceptional administrative expenses

	2004	2003
	£	£
Waiver of debt due from subsidiary company	5,760,000	-

On 19 July 2004 the company agreed to a partial debt waiver of amounts owed to it by its subsidiary, the Hibernian Football Club Limited.

5 Employee information and directors' emoluments

The company has no employees other than its directors (2003 - nil). The total emoluments paid to directors by the company during the year was £nil (2003 - nil).

6 Interest receivable and similar income

	2004	2003
	£	£
Interest receivable from subsidiary undertaking	348,377	231,832
Other interest	158,799	1,014
	507,176	232,846

7 Interest payable and similar charges

	2004	2003
	£	£
Bank loans and overdrafts	52,765	139,180
Other loans	-	241,773
	52,765	380,943

8 Profit on ordinary activities before taxation

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

		2004	2003
		£	£
Auditors' remuneration	- audit	2,000	1,700
	- other services	1,000	1,300
Depreciation and other amounts written off owned tangible fixed assets		6,514	6,468

9 Taxation

There is no corporation tax payable on the profit for the year (2003 - nil).

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003 - lower) than the standard rate of corporation tax in the United Kingdom, 30%, (2003 - 30%). The differences are explained below:

	2004 £	2003 £
Current Tax Reconciliation		
Profit/(loss) on Ordinary Activities before Taxation	3,629,117	(137,115)
Current Tax at 30% (2003- 30%)	1,088,735	(41,134)
Effects of:		
Expenses not deductible for tax purposes	5,770	1,940
Timing differences	-	(2,557)
Tax losses carried forward	-	41,751
Indexation allowance	(38,352)	-
Utilisation of losses brought forward	(585,583)	-
Consortium relief	(434,354)	-
Total current tax charge (see above)	-	-

Factors that may affect future tax charges

The company has tax losses of £nil (2003 - £810,000) available to carry forward. The company has an unrecorded deferred tax asset at 31st July 2004 of approximately £nil (2003 - £620,000).

10 Tangible fixed assets

	Freehold Land & Buildings £
Cost	
At beginning of year	673,082
Disposals	(347,391)
At end of year	325,691
Depreciation	
At beginning of year	25,872
Charge	6,514
At end of year	32,386
Net Book Value	
At 31 July 2004	293,305
At 31 July 2003	647,210

11 *Fixed asset investments*

Investment in subsidiary undertakings:

	2004 £	2003 £
At beginning of year	4,117,230	4,123,540
Disposals	(670)	(6,310)
At 31 July 2004	4,116,560	4,117,230

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

Amounts falling due within one year:	2004 £	2003 £
Prepayments and accrued income	35,000	18,089
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	1,440,000	5,416,697

Within amounts owed by subsidiary undertakings falling due after more than one year are loans totalling £1,440,000 (2003 - £4,1000,000) to The *Hibernian* Football Club Limited, which bear interest at a rate of 2% over the Bank of Scotland Base Rate currently in force. The loan is repayable in equally instalments over the next 20 years, commencing in 2006.

13 Creditors: Amounts falling due within one year

	2004 £	2003 £
Bank loan	-	2,350,000
Accruals and deferred income	28,948	1,728,341
	28,948	4,078,341

14 Creditors: Amounts falling due after more than one year

	2004 £	2003 £
Unsecured Loan Stock	5,000,000	5,000,000
Loan from Principal Shareholder	-	3,696,000
	5,000,000	8,696,000

The Unsecured Loan Stock is interest free with no specific terms for repayment.

15 Equity share capital

	2004 £	2003 £
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

	2004 £	2003 £
Beginning of year	(5,881,422)	(5,744,307)
Profit/(loss) for the financial year	3,629,117	(137,115)
End of year	(2,252,305)	(5,881,422)

17 Reconciliation of movement of shareholders' funds

	2004 £	2003 £
Opening shareholders' deficit	(2,531,422)	(2,394,307)
Profit/(loss) for the financial year	3,629,117	(137,115)
Closing shareholders' funds/(deficit)	1,097,695	(2,531,422)

18 Analysis of cash flows

	2004 £	2003 £
Returns on investment and servicing of finance		
Interest received	386,454	1,014
Interest paid	(1,647,353)	-
	(1,260,899)	1,014
Capital expenditure and financial investment		
Sale of heritable land	9,277,332	-
Receipts from sale of shares	670	1,320
	9,278,002	1,320
Financing		
Loan (repaid to)/received from principal shareholder	(3,696,000)	1,100,000
Repayment of bank loan	(2,350,000)	-
Loan to subsidiary undertaking	-	(1,100,000)
	(6,046,000)	-

19 Analysis of net debt

	At beginning of the year £	Cash Flow £	At the end of the year £
Cash at bank	43,693	198,085	241,778
Debt due within one year			
Bank loan	(2,350,000)	2,350,000	-
Debt due after one year			
Unsecured loan stock	(5,000,000)	-	(5,000,000)
Loan from principal shareholder	(3,696,000)	3,696,000	-
	(11,002,307)	6,244,085	(4,758,222)

20 Related party transactions

During the year an office was rented to The Hibernian Football Club Limited for £24,000 (2003 - £24,000) per annum.

Interest of £ Nil (2003-£232,216) was payable to the principal shareholder, Sir Tom Farmer CBE KCSG for the year. Interest payable at the year-end amounted to £ Nil (2003 - £1,245,722).

21 Ultimate holding company

The company is a subsidiary undertaking of Halecrown Investments Limited, a company registered in England. The accounts of this company are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The sole beneficiary of the Halecrown Investments Limited shareholding in the company is Sir Tom Farmer CBE KCSG.