HFC Holdings Limited

Financial statements for the year ended 31 July 2006
together with Directors' and Auditors' Reports

Registration number SC132607



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 2006

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 8 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 2006 is set out on page 4 The directors do not recommend the payment of a dividend (2005 £nil)

Directors and their interests

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

	2006	2005
R M Petrie	335,000	335,000
Sir Tom Farmer		

In addition Sir Tom Farmer CBE KCSG has a beneficial interest in 3,015,000 ordinary shares and 500,000 A shares through his interest in Halecrown Investments Limited, the ultimate parent company

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to the shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

R M Petrie
Company Secretary
12 Albion Place
Edinburgh, EH7 5QG
22 February 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditors' report to the members of HFC Holdings Limited

We have audited the financial statements of HFC Holdings Ltd for the year ended 31 July 2006 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended and
- have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
Chartered Accountants
Registered Auditor
19 April 2006

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Profit and loss account

for the year ended 31 July 2006

	Notes	2006	2005
		£	£
Turnover	2	24,000	27,031
Administrative expenses		(49,328)	(26,557)
Operating (loss)/profit		(25,328)	474
Interest receivable	4	113,283	112,727
Profit on ordinary activities before taxation		87,955	113,201
Taxation	6	(29,608)	
Profit for the financial year	13	58,347	113,201

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

Balance Sheet

as at 31 July 2006

	Notes	2006	2005
		£	£
Fixed assets			
Tangible assets	7	280,277	286,791
Investments	8	4,113,812	4,115,210
		4,394,089	4,402,001
Current assets			
Debtors (including £1,360,000 (2005 £1,440,000) due after more than one year	9	1,440,516	1,443,500
Cash at bank and in hand		479,746	377,843
		1,920,262	1,821,343
Creditors Amounts falling due within one year	10	(45,108)	(12,448)
Net current assets		1,875,154	1,808,895
Total assets less current liabilities		6,269,243	6,210,896
Creditors Amounts falling due after more than one year	11	(5,000,000)	(5,000,000)
Net assets		1,269,243	1,210,896
Capital and reserves			
Called up share capital	12	3,350,000	3,350,000
Profit and loss account	13	(2,080,757)	(2,139,104)
Shareholders' funds		1,269,243	1,210,896

These financial statements were approved by the Board of Directors on 22 February 2007 and were signed on its behalf by

R M Petrie
Director

Cash Flow Statement

For the year ended 31 July 2006

	Notes	2006	2005
		£	£
Reconciliation of operating (loss)/profit to operating cash flows			
Operating (loss)/profit		(25,328)	474
Depreciation charges		6,514	6,514
Decrease in debtors		2,984	31,500
Increase/(decrease) in creditors		3,052	(16,500)
Cash (outflow)/inflow from operating activities		(12,778)	21,988
Cash Flow Statement			
Cash (outflow)/inflow from operating activities		(12,778)	21,988
Returns on investment and servicing of finance	15	113,283	112,727
Capital expenditure and financial investment	15	1,398	1,350
Increase in cash in the period		101,903	136,065
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		101,903	136,065
Movement in net debt in the period		101,903	136,065
Net debt at the start of the period		(4,622,157)	(4,758,222)
Net debt at the end of the period	16	(4,520,254)	(4,622,157)

Notes to the financial statements

for the year ended 31 July 2006

1 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

Notes to the financial statements

for the year ended 31 July 2006

2 Turnover

	2006	2005
	£	£
Turnover comprises rental income	24,000	27,031

3 Employee information and directors' emoluments

The company has no employees other than its directors (2005 £nil) The total emoluments paid to the directors by the company during the year was £nil (2005- £nil)

4 Interest receivable and similar income

	2006	2005
	£	£
Interest receivable from subsidiary undertaking	94,448	98,739
Bank interest	18,835	13,988
	113,283	112,727

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

		2006	2005
		£	£
Auditors' remuneration	audit	3,000	1,800
	other services	2,500	
Depreciation and other amounts written off owned tangible fixed assets		6,514	6,514

6 Taxation

	2006 £	2005 £
UK corporation tax at 30% *(2005 - 30%)*	29,608	
	29,608	

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2005 lower) than the standard rate of corporation tax in the United Kingdom, 30%, (2005 30%) The differences are explained below

	2006 £	2005 £
Current Tax Reconciliation		
Profit on Ordinary Activities before Taxation	87,955	113,201
Current Tax at 30% (2005 30%)	26,387	33,960
Effects of		
Expenses not deductible for tax purposes	3,221	1,954
Capital transactions		310,798
Utilisation of losses brought forward		(346,712)
Total current tax charge (see above)	29,608	

7 Tangible fixed assets

	Freehold Land & Buildings £
Cost	
At beginning and end of year	325,691
Depreciation	
At beginning of year	38,900
Charge	6,514
At end of year	45,414
Net Book Value	
At 31 July 2006	280,277
At 31 July 2005	286,791

8 Fixed asset investments

Investment in subsidiary undertakings

	2006 £	2005 £
At beginning of year	4,115,210	4,116,560
Disposals	(1,398)	(1,350)
At end of year	4,113,812	4,115,210

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%

9 Debtors

Amounts falling due within one year	2006 £	2005 £
Prepayments and accrued income	516	3,500
Amounts owed by subsidiary undertakings	80,000	
	80,516	3,500
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	1,360,000	1,440,000
	1,440,516	1,443,500

Within amounts owed by subsidiary undertakings falling due after more than one year are loans totalling £1,360,000 (2005 £1,440,000) 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 18 years, commencing in August 2006

10 Creditors. Amounts falling due within one year

	2006 £	2005 £
Accruals and deferred income	15,500	12,448
Corporation tax creditor	29,608	
	45,108	12,448

11 Creditors· Amounts falling due after more than one year

	2006 £	2005 £
Unsecured Loan Stock		5,000,000
Shares classified as liabilities (note 12)	5,000,000	
	5,000,000	5,000,000

500,000 preferred A shares of £1 each were issued to Morston Securities Limited at an aggregate premium of £4,500,000 in consideration of Morston Securities Limited releasing and discharging HFC Holding Ltd from its obligation and liabilities in respect of the Unsecured Loan Stock of £5,000,000

12 Share capital

	2006 £	2005 £
Authorised		
Ordinary Shares of £1 each	3,850,000	3,850,000
Cumulative preferred "A" Shares of £1 each	500,000	
	4,350,000	3,850,000
Allotted, called up and fully paid		
Ordinary Shares	3,350,000	3,350,000
Cumulative preferred "A" Shares	500,000	
	3,850,000	3,350,000
Analysis of allotted, called up and fully paid share capital		
Shares classified as shareholder funds	3,350,000	3,350,000
Shares classified as liability	500,000	
	3,850,000	3,350,000

The holders of cumulative preferred A Shares have no voting rights at a general meeting of shareholders and have restricted rights on a return of capital These shares are entitled to cumulative preferential dividend equivalent to a fixed percentage of profit in excess of certain thresholds

Notes to the financial statements

for the year ended 31 July 2006

13 Profit and loss account

	2006 £	2005 £
Beginning of year	(2,139,104)	(2,252,305)
Profit for the financial year	58,347	113,201
End of year	(2,080,757)	(2,139,104)

14 Reconciliation of movement of shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	1,210,896	1,097,695
Profit for the financial year	58,347	113,201
Closing shareholders' funds	1,269,243	1,210,896

15 Analysis of cash flows

	2006 £	2005 £
Returns on investment and servicing of finance		
Interest received	113,283	112,727
	113,283	112,727
Capital expenditure and financial investment		
Receipts from sale of investments	1,398	1,350
	1,398	1,350

16 Analysis of net debt

	At beginning of the year £	Cash Flow £	Other non cash changes £	At the end of the year £
Cash at bank	377,843	101,903		479,746
Shares classified as liabilities (note 12)			(5,000,000)	(5,000,000)
Unsecured loan stock	(5,000,000)		5,000,000	
	(4,622,157)	101,903		(4,520,254)

17 Related party transactions

During the year rental income of £24,000 (2005 £24,000) and interest of £94,448 (2005 £98,739) was received from Hibernian Football Club Limited The company incurred administration cost of £20,000 (2005 £20,000) from Maidencraig Investments Ltd

18 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.