HFC Holdings Limited

Registered number SC132607

Directors' report and financial statements
30 June 2016

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Directors' report

The directors present their report on the affairs of the Company, together with the financial statements and auditor's report, for the eleven month period ended 30 June 2016.

Principal activity and business review

The Company's principal activity is to act as a holding company. The group's sole trading subsidiary is The Hibernian Football Club Limited ("the Club") which is a leading professional football club in Scotland.

During the year the Club undertook a share issue to its supporters which has diluted the Company's interests in the Club from 82% at 31 July 2015 to 68% at 30 June 2016.

The profit and loss account for the year ended 30 June 2016 is set out on page 4. The directors do not recommend the payment of a dividend (*2015: £nil*).

During the year the Company changed its accounting reference date to 30 June in line with other group companies. Accordingly the audited financial statements presented are for the eleven month period ended on 30 June 2016.

Directors

The directors who served during the year were:

R M Petrie
Sir Tom Farmer CVO CBE KCSG DL

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Mary Anne McAdam
Secretary
10 February 2017

Maidencraig House
192 Queensferry Road
Edinburgh, EH4 2BN

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 LLP
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report to the members of HFC Holdings Limited

We have audited the financial statements of HFC Holdings Limited for the eleven month period ended 30 June 2016 set out on pages 4 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the eleven month period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

22 February 2017

Profit and loss account

for the eleven month period ended 30 June 2016

	Notes	**2016** £	2015 £
Turnover	*2*	**22,000**	24,000
Administrative expenses		**(80,857)**	(103,051)
Operating loss		**(58,857)**	(79,051)
Interest receivable	*4*	**468**	4,263
Loss on ordinary activities before taxation	*5*	**(58,389)**	(74,788)
Taxation	*6*	**-**	-
Loss for the financial year		**(58,389)**	(74,788)

All of the activities of the Company are classed as continuing.

The Company has no other items of comprehensive income other than the results for the year as set out above.

Notes on pages 7 to 13 form part of these financial statements

Balance sheet
at 30 June 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	7	**470,935**	477,449
Investments	8	**8,606,992**	8,606,992
		9,077,927	9,084,441
Current assets			
Debtors: receivable within one year	9	**501,352**	683,145
Cash at bank and in hand		**120,968**	10,692
		622,320	693,837
Debtors: receivable after more than one year	10	**4,041,663**	4,500,000
		4,663,983	5,193,837
Creditors: Amounts falling due within one year	11	**(7,841,523)**	(8,319,502)
Net current assets		**(3,177,540)**	(3,125,665)
Total assets less current liabilities		**5,900,387**	5,958,776
Creditors: Amounts falling due after more than one year	12	**(5,000,000)**	(5,000,000)
Net assets		**900,387**	958,776
Capital and reserves			
Called up share capital	13	**3,350,000**	3,350,000
Profit and loss account		**(2,449,613)**	(2,391,224)
Shareholders' funds		**900,387**	958,776

These financial statements were approved by the Board of Directors on 10 February 2017 and were signed on its behalf by:

R M Petrie
Director

Notes on pages 7 to 13 form part of these financial statements

Statement of Changes in Equity

	Called up Share	Profit and loss account	Total equity
	£	£	£
Balance at 1 August 2014	3,350,000	(2,316,436)	1,033,564
Total comprehensive loss for the year			
Loss for the financial year	-	(74,788)	(74,788)
Total comprehensive income for the year	-	(74,788)	(74,788)
Balance at 31 July 2015	**3,350,000**	**(2,391,224)**	**958,776**
Balance at 1 August 2015	3,350,000	(2,391,224)	958,776
Total comprehensive income for the period			
Loss for the financial period	-	(58,389)	(58,389)
Total comprehensive income for the period	-	(58,389)	(58,389)
Balance at 30 June 2016	**3,350,000**	**(2,449,613)**	**900,387**

Notes

(forming part of the financial statements)

1 Accounting policies

Company information

Maidencraig Investments (No.2) Limited is a private company limited by shares incorporated in Scotland. The registered office is Maidencraig House, 192 Queensferry Road, Edinburgh, EH4 2BN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure of requirements of section 1A of RS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the Company.

The financial statements have been repaired on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the 11 month period to 30 June 2016 are the first financial statements of Maidencraig Investments (No.2) Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition for FRS 102 was 1 August 2014. The reported financial position and financial performance for the previous periods are not affected by the transition to FRS 102.

The Company's ultimate parent undertaking, Maidencraig Investments (No.1) Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Maidencraig Investments (No.1) Limited. are prepared in accordance with FRS 102, are available to the public and may be obtained from Maidencraig House, 192 Queensferry Road, Edinburgh, EH4 2BN. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

1.2 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.

1.3 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Taxation *(continued)*

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.4 Basic financial instruments

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

Investments are carried at cost less impairment.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

2 Turnover

	2016	2015
	£	£
Rental income	**22,000**	24,000

3 Employee information and Directors' emoluments

The Company has no employees. The Directors receive no remuneration from the Company (*2015: £nil*).

4 Interest receivable and similar income

	2016	2015
	£	£
Interest receivable from subsidiary undertaking	-	2,102
Bank interest	470	2,161
	470	4,263

5 Loss on ordinary activities before taxation

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

	2016	2015
	£	£
Auditor's remuneration for the audit of these financial statements	4,100	4,100
Depreciation and other amounts written off owned tangible fixed assets	6,514	6,514
Loss on sale of fixed assets	-	9,951

6 Taxation

	2016	2015
	£	£
UK corporation tax at 20% *(2015: 20%)*		
Current tax on income for the period	-	-
Adjustment in respect of prior periods	-	-
	-	-

Factors affecting the tax (credit) for the current period

The current tax (credit) for the period is lower (*2015: lower*) as the standard rate of corporation tax in the United Kingdom, 20%, (*2015: 20%*).

	2016	2015
	£	£
Current Tax Reconciliation		
Loss on Ordinary Activities before Taxation	(58,387)	(74,788)
Current Tax at 20% (*2015: 20%*)	(11,677)	(14,958)
Effects of:		
Losses carried forward	11,677	14,958
Total current tax charge	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the Company's future current tax charge accordingly. The unrecognised deferred tax asset at 30 June 2016 has been calculated based on these rates.

Notes *(continued)*

7 Tangible fixed assets

	Land and buildings £
Cost	
At beginning and end of year	581,487
Depreciation	
At the beginning of year	104,038
Charge for the year	6,514
At end of year	110,552
Net Book Value	
At 30 June 2016	**470,935**
At 31 July 2015	477,449

8 Fixed asset investments

Investment in subsidiary undertakings:

	2016 £	2015 £
At beginning and end of year	**8,606,992**	4,106,992
Shares acquired during year	-	4,500,000
At end of year	**8,606,992**	8,606,992

The Company holds more than 10% of the equity capital of the following company:

	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 68%

Notes *(continued)*

9 Debtors: receivable within one year

	2016 £	2015 £
Mortgage due from subsidiatry undertaking (note 10)	**500,000**	500,000
Amount due from related party	**1,352**	183,145
	501,352	683,145

10 Debtors: receivable after more than one year

	2016 £	2015 £
Mortgage due from subsidiary undertaking	**4,041,663**	4,500,000

The Mortgage advanced to the Company's subsidiary, The Hibernian Football Club Limited, during the year is secured, interest free and is repayable over ten years by instalments of £41,667 per month which commenced in August 2015 and end in July 2025.

11 Creditors: Amounts falling due within one year

	2016 £	2015 £
Accruals	**7,525**	2,443
Amount due to ultimate parent company	**2,235,164**	2,243,880
Amount due to related party	**1,098,834**	1,573,179
Amount due to ultimate controlling party	**4,500,000**	4,500,000
	7,841,523	8,319,502

12 Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Shares classified as liabilities (note 13)	**5,000,000**	5,000,000

Notes *(continued)*

13 Share capital

	2016	2015
Authorised	**No.**	No.
Ordinary Shares of £1 each	**3,850,000**	3,850,000
Cumulative Preferred "A" Shares of £1 each	**500,000**	500,000
	4,350,000	4,350,000
Allotted, called-up and fully paid	**No.**	No.
Ordinary Shares of £1 each	**3,350,000**	3,350,000
Cumulative Preferred "A" Shares of £10 each	**500,000**	500,000
	3,850,000	3,850,000
Analysis of allotted, called up and fully paid share capital	**£**	£
Shares classified as shareholder funds	**3,350,000**	3,350,000
Shares classified as liabilities	**5,000,000**	5,000,000
	8,350,000	8,350,000

The Cumulative Preferred "A" Shares have no voting rights at any 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 any profit in excess of certain thresholds. The £500,000 Cumulative Preferred "A" Shares were issued at a premium of £4,500,000 and are classified as a liability of £5,000,000 (note 11).

16 Related party transactions

During the eleven month period rental income of £22,000 *(2015: £24,000)* and interest of £0 *(2015: £2,102)* was receivable from The Hibernian Football Club Limited, the Company's subsidiary undertaking.

During the previous year the Company advanced a ten year, interest free Mortgage of £5,000,000 to The Hibernian Football Club Limited. The balance of the Mortgage outstanding at 30 June 2016 was £4,541,663 of which £500,000 is receivable prior to 30 June 2017.

At 30 June 2016 a loan of £2,235,164 *(2015: £2,243,880)* was owed by the Company to its parent company, Maidencraig Investments (No. 1) Limited.

At 30 June 2016 a loan of £1,098,834 *(2015: £1,573,179)* was owed by the Company to Halecrest Investments (No. 2) limited, a company controlled by Sir Tom Farmer CVO CBE KCSG DL.

Also at 30 June 2016 a loan of £4,500,000 *(2015: £4,500,000)* was owed to Sir Tom Farmer CVO CBE KCSG DL.

Notes *(continued)*

17 Parent company, related group undertakings and ultimate controlling party

The largest group in which the results of the Company are consolidated is that headed by Maidencraig Investments (No.1) Limited which is incorporated in Scotland. The consolidated financial statements of that company are available to the public from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF. No other group financial statements include the results of the Company.

The Company's related group undertakings are the immediate and ultimate parent companies stated above and the subsidiary company stated in note 8.

The Company's immediate parent company is Infocus Investments Limited and its ultimate controlling party is Sir Tom Farmer CVO CBE KCSG DL.

18 Explanation of transition to FRS102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the 11 month period ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 31July 2015.

In preparing its FRS 102 balance sheet, the Company has not adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). Therefore, no reconciliation from UK GAAP to FRS 102 is required, given that there have been no adjustments to the figures reported in 2015