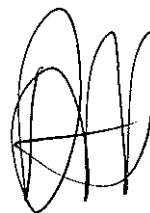


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DIRECTORS AND ADVISERS

Directors

Christopher P Robinson (Chairman)
Leslie G Deans (Vice Chairman)
Colin G Wilson (Non-executive)
Fraser S Jackson (Non-executive)
all of Tynecastle Park, Gorgie Road,
Edinburgh EH11 2NL

Secretary and Registered Office

Leslie W Porteous
Tynecastle Park
Gorgie Road
Edinburgh EH11 2NL
Registered Number 5863

Auditors

Price Waterhouse
Chartered Accountants
Albany House
58 Albany Street
Edinburgh EH1 3QR

Solicitors

Tods Murray WS
66 Queen Street
Edinburgh EH2 4NE

Reporting Valuers

Ryden
Chartered Surveyors
46 Castle Street
Edinburgh EH2 3BN

Bankers

Bank of Scotland
1 Ardmillan Terrace
Edinburgh EH11 2JN

CHAIRMAN'S STATEMENT TO SHAREHOLDERS

In presenting my review for the year to 31 May 1995, I would firstly like to formally welcome the 1,700 new Club Shareholders who took up the share issue last year. Although the Board were disappointed that a larger capital sum was not raised, we consider the exercise to have been worthwhile. At the conclusion of the Annual General Meeting we will also know the outcome of the election to the Board of the two new Directors resulting from the Club Share Issue.

The year under review was very much one of transition with the new Board assessing the state of the company and its management.

It became apparent very early that there were major weaknesses in financial management and, with the assistance of our auditors, significant changes were made including the appointment last December of Sally Robinson to oversee the finance and administration aspects of the business. The structure of having separate subsidiaries covering commercial and publishing activities was considered cumbersome and unnecessary and we have therefore ceased this practice and our accounts now reflect this consolidation. I am pleased to report that we are now seeing the benefits of these changes in terms of management information and cash control.

All other aspects of commercial activities have been reviewed and we are undergoing a process of structured improvements in the areas of ticketing and the development of commercial and marketing activities. The full impact of these changes will not be felt, however, until the start of the financial year 1996/97. It is essential that strong foundations are laid in terms of new personnel and systems to allow the business side of the company's activities to be developed and thereby create the resources to meet the twin criteria of stadium redevelopment and investment in the playing side.

On the field the Board felt it necessary at the outset to have an experienced manager and Tommy McLean was brought to the Club to give this important dimension at a time of considerable change. As everyone is aware, season 1994/95 was very much a rollercoaster for Hearts Football Club. The Manager was required to sell Alan McLaren as a necessary part of the funding arrangements which were in place for the Wheatfield Stand. Over the season there were further considerable changes in the playing side and this was reflected in our performances. At one stage hopes were high for a League placing which could have given a UEFA Cup place and there was great optimism for a Cup Final appearance. Both these hopes were, however, dashed and the final league placing of sixth does not reflect how close we came to a possible "play off" situation.

Events on the playing side since the year end have been well publicised and in particular the changes which have taken place at managerial level. The appointment of Jim Jefferies as Manager, with assistant Billy Brown and youth coach Paul Hegarty, now gives us the opportunity to consolidate and develop the playing side of the Club.

In commenting on the financial results, it is heartening to see a strengthening of the balance sheet through the increased stadium value brought about by the Wheatfield Stand. The completion of the School End Stand will add a further £1.5 million to take the total value for land and buildings to £7.5 million. The profit declared of £469,000 is however as a result of player sales. Much work remains to be done to achieve improvements in the underlying trading performance. In terms of turnover we achieved an increase in gate revenue whilst other income from television sponsorship and commercial activities was in real terms increased after discounting the one-off television deal in the previous year for the Atletico Madrid – UEFA Cup fixture. The increase in staff costs has resulted from nine changes made in the senior playing staff.

Since the year end, we have completed the School End Stand and it is clear from season ticket sales and supporter reaction that we will see real growth in revenue from gate income and associated corporate facilities, sponsorship and television monies in the years ahead. In the interim period costs and in particular payroll require to be controlled and reduced. As shown in the balance sheet the Club's historical borrowing is a considerable burden. The Board are, however, considering various options to restructure the Club's debt and allow a more flexible approach to achieving the objectives of our business plan.

As a matter of record I think it is important to clarify the position which was reported widely in newspapers early in the summer regarding court proceedings raised in the Court of Session. These proceedings relate directly to New Hearts Ltd. as purchaser last year of the controlling interest in the Club from Cosmopolitan Investments Ltd. Contrary to much of the press reporting, these actions have no impact whatsoever on the assets or liabilities of Heart of Midlothian Football Club plc.

Finally, I would like to place on record my appreciation of the efforts of everyone connected with the Club since June 1994. At all levels from my Board colleagues, the players and administration staff, everyone has worked extremely hard and kept morale at a high level in what has been by any standards a difficult twelve months for Heart of Midlothian.

C P Robinson, Chairman
27 September 1995

DIRECTORS' REPORT

The Directors submit their report and the audited consolidated accounts for the year ended 31 May 1995.

Principal activity

The principal activity of Heart of Midlothian Football Club plc ("the company") is that of a professional football club. During the year the company's subsidiaries ceased trading and their business and net assets of £1,506,000 were transferred to the company at an amount equal to their respective net asset values.

Review of the business

A review of the business is included within the Chairman's Statement on page 3.

Fixed assets

Movements in tangible fixed assets are shown in note 10 to the accounts. During the year, the company continued the redevelopment of Tynecastle Stadium in order to comply with the requirements arising from the Taylor Report. The Directors estimate the current value of the Stadium to be £7,500,000 on a depreciated replacement cost basis. During the year the property at 7/9 McLeod Street, Edinburgh was sold to a company controlled by Mr A W Mercer, a former director and Chairman.

Playing staff

Certain players' registrations were acquired from other clubs and the related expenditure is capitalised. The movements in intangible fixed assets are set out in note 9.

The Directors and Management consider the value of the senior members of the playing squad to have been £5.275 million at 31 May 1995, based on their estimation of current market value. This valuation is not reflected in the balance sheet.

Share issue

During the year the company offered for subscription up to 8,000,000 Club Shares of 10p each at £1.25 per share. As a result of this offer, 431,200 shares were subscribed for giving rise to net proceeds, after issue expenses, of £147,000. Details of share capital and share premium are set out in note 18.

Results and dividend

The group's profit for the financial year totalled £469,000 which is to be transferred to reserves. The Directors recommend that no dividend is paid (1994 – £Nil).

DIRECTORS' REPORT

(CONTINUED)

Directors

The Directors in office at 31 May 1995 and the beneficial and family interests in shares of the company of those Directors were as follows:

		No. of Ordinary Shares		No. of Club Shares	
		1995	1994	1995	1994
C G Wilson		1,000	1,000	200	—
C P Robinson	(appointed 17 June 1994)	653,990	—	—	—
L G Deans	(appointed 17 June 1994)	653,990	—	—	—
F S Jackson	(appointed 17 June 1994)	1,650	1,650	200	—

Mr A W Mercer resigned as a Director and Chairman on 10 July 1994. Messrs P Smith, J Clydesdale and L W Porteous resigned on 17 June 1994.

On 17 June 1994, New Hearts Limited ("NHL") acquired the entire issued share capital of Pentland Securities (Holdings) Ltd and control of 50.05% of the company's shares. At 31 May 1995 NHL, directly and indirectly, held 52.31% of the company's Ordinary Shares. The shareholders of NHL are Mr L G Deans and, indirectly, Mr C P Robinson.

Mr C P Robinson is a director and principal shareholder of Wheatsheaf Catering Limited, a company which provides catering and restaurant facilities at Tynecastle Stadium.

Mr F S Jackson is a partner in Henderson Boyd Jackson WS who acted as the company's solicitors in the offer of Club Shares to the public in October 1994.

Future developments

It is the Directors' intention that the club continues football on a full-time basis in order to maintain its position in Scottish football.

Close company status

In the Directors' opinion, the company was a close company as defined by the Income and Corporation Taxes Act 1988 as at 31 May 1995.

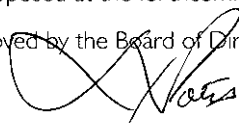
Donations

During the year the company made donations to charitable organisations in the UK totalling £4,100.

Auditors

Price Waterhouse have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:



L W Porteous
Company Secretary

Tynecastle Park
Gorgie Road
Edinburgh EH11 2NL
27 September 1995

STATEMENT OF 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 the group as at the end of the financial year and of the profit or loss for the financial year. The Directors consider that, in preparing the accounts on pages 8 to 24, the company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors also consider it is appropriate to prepare the accounts on the going concern basis.

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

Approved by the Board of Directors and signed on behalf of the Board:



L W Porteous
Company Secretary

Tynecastle Park
Gorgie Road
Edinburgh EH11 2NL
27 September 1995

AUDITORS' REPORT

TO THE SHAREHOLDERS OF HEART OF MIDLOTHIAN FOOTBALL CLUB PLC

We have audited the accounts on pages 8 to 24 which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and using the accounting policies set out in note 1 to the accounts.

Respective responsibilities of Directors and Auditors

As described on page 6 the company's Directors are responsible for the preparation of 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 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 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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 May 1995 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Edinburgh

27 September 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 1995

	Notes	1995 £'000	1994 £'000
TURNOVER	2		
Gate receipts		1,633	1,558
Other income		1,312	1,625
Proceeds from sales of players' registrations		2,690	1,186
		<u>5,635</u>	<u>4,369</u>
Staff costs	5	(2,320)	(2,028)
Other operating charges		(1,609)	(1,768)
Cost of players' registrations disposed of		(875)	(1,132)
OPERATING PROFIT/(LOSS)	3	<u>831</u>	<u>(559)</u>
Interest payable and similar charges	6	(395)	(303)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>436</u>	<u>(862)</u>
Tax credit on profit/(loss) on ordinary activities	7	33	17
PROFIT/(LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF HEART OF MIDLOTHIAN FOOTBALL CLUB PLC	20	<u>469</u>	<u>(845)</u>

All group operations are continuing. 1994 figures have been restated for comparative purposes only (Note 1).

The notes on pages 13 to 24 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MAY 1995

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Profit/(loss) for the financial year	469	(845)	469	(1,149)
Revaluation of land and buildings	—	(1,806)	—	(1,806)
Total recognised gains and losses relating to the financial year	469	(2,651)	469	(2,955)
Prior period adjustment	—	(191)	—	(191)
Total gains and losses recognised since previous Annual Report	469	(2,842)	469	(3,146)

The prior period adjustment relates to the change in accounting policy during the year ended 31 May 1994 to depreciate land and buildings.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

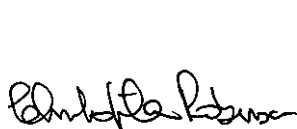
FOR THE YEAR ENDED 31 MAY 1995

	Group and Company 1995 £'000
Reported profit on ordinary activities before taxation	436
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	18
Historical cost profit on ordinary activities before taxation	454
Historical cost profit for the financial year	487

The notes on pages 13 to 24 form part of these accounts.

CONSOLIDATED BALANCE SHEET – 31 MAY 1995

	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Intangible assets	9	2,275	1,829
Tangible assets	10	6,588	4,268
		<u>8,863</u>	<u>6,097</u>
CURRENT ASSETS			
Stock (goods for resale)		39	86
Debtors	12	476	484
		<u>515</u>	<u>570</u>
CREDITORS: amounts falling due within one year	13	<u>(5,894)</u>	<u>(5,246)</u>
NET CURRENT LIABILITIES		<u>(5,379)</u>	<u>(4,676)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,484</u>	<u>1,421</u>
CREDITORS: amounts falling due after more than one year	14	<u>(368)</u>	<u>(483)</u>
ACCRUALS AND DEFERRED INCOME	17	<u>(1,587)</u>	<u>(25)</u>
		<u>1,529</u>	<u>913</u>
CAPITAL AND RESERVES			
Called-up share capital	18	293	250
Share premium account	25	308	204
Revaluation reserve	19	1,880	1,893
Profit and loss account – deficit	20	(952)	(1,434)
SHAREHOLDERS' FUNDS		<u>1,529</u>	<u>913</u>



C P Robinson
DIRECTORS



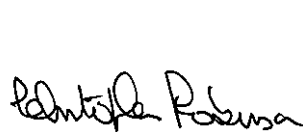
L G Deans

APPROVED BY THE BOARD ON 27 SEPTEMBER 1995


The notes on pages 13 to 24 form part of these accounts.

BALANCE SHEET – 31 MAY 1995

	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Intangible assets	9	2,275	1,829
Tangible assets	10	6,588	4,228
		<u>8,863</u>	<u>6,057</u>
CURRENT ASSETS			
Stock (goods for resale)		39	—
Debtors	12	476	577
		<u>515</u>	<u>577</u>
CREDITORS: amounts falling due within one year	13	(5,894)	(6,722)
NET CURRENT LIABILITIES		(5,379)	(6,145)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,484	(88)
CREDITORS: amounts falling due after more than one year	14	(368)	(480)
ACCRUALS AND DEFERRED INCOME	17	(1,587)	(25)
		<u>1,529</u>	<u>(593)</u>
CAPITAL AND RESERVES			
Called-up share capital	18	293	250
Share premium account	25	308	204
Revaluation reserve	19	1,880	1,893
Profit and loss account – deficit	20	(952)	(2,940)
SHAREHOLDERS' FUNDS/(DEFICIT)		1,529	(593)



C P Robinson
DIRECTORS



L G Deans

APPROVED BY THE BOARD ON 27 SEPTEMBER 1995

The notes on pages 13 to 24 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 1995

	Notes	1995 £'000	1994 £'000
Net cash outflow from operating activities	22	(1,244)	(13)
Returns on investments and servicing of finance			
Interest paid	6	(415)	(303)
Investing activities			
Payments to acquire players' registrations		(1,527)	(635)
Payments to acquire tangible fixed assets		(2,921)	(462)
Receipts from sales of players' registrations		2,690	1,186
Receipts from sales of tangible fixed assets		242	27
Receipts from Football Trust and 500 Club		1,678	—
Net cash inflow from investing activities		162	116
Net cash outflow before financing		(1,497)	(200)
Financing			
Hire purchase repayments		(45)	(4)
New hire purchase agreements		170	—
Term loan repayments		(227)	(80)
Issue of share capital, net of issue expenses		147	—
Net cash inflow/(outflow) from financing activities		45	(84)
Decrease in cash and cash equivalents	23,24	(1,452)	(284)

The notes on pages 13 to 24 form part of these accounts.

I ACCOUNTING POLICIES

(a) Basis of preparation

The accounts have been prepared in accordance with applicable Accounting Standards and the historical cost convention as modified to incorporate the revaluation of land and buildings.

(b) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries for the financial year ended 31 May 1995. During the year, the subsidiaries ceased trading and their businesses and net assets of £1,506,000 were transferred to the company at an amount equal to their respective net asset values.

(c) Depreciation of tangible fixed assets

No depreciation is provided on land. Buildings are depreciated at a rate of 2% per annum with the exception of those parts of Tynecastle Stadium which had not been redeveloped at the year end. With effect from 1 June 1994, the Directors decided to depreciate the buildings which had not been redeveloped at that time at a rate of 4% per annum to reflect more accurately the estimated useful life of the assets. The effect of this change was to increase depreciation for the year by £33,000.

Other tangible fixed assets (principally plant and equipment) are depreciated to write down their cost over their estimated lives, which are considered to be between 4 and 10 years.

(d) Deferred taxation

Deferred taxation assets or liabilities are recognised in respect of the taxation effect of all timing differences and available losses, to the extent that it is probable that the asset or liability will crystallise in the foreseeable future.

(e) Turnover

Turnover is the amount derived from all trading activities, exclusive of value added tax, and includes the proceeds of sales of players' registrations as the Directors are of the opinion that this is an integral part of a football club's activities. This is a change in accounting presentation and prior year comparatives have been restated accordingly.

(f) Transfer and signing on fees

The cost of acquired players' registrations are capitalised and, after allowing for estimated residual values, are amortised over the period of the respective players' contracts. Signing on fees payable to players are charged to the profit and loss account when the amounts become payable.

(g) Grants receivable

Grants receivable in respect of tangible fixed assets, including the stadium redevelopment, are treated as a deferred credit and are released to the profit and loss account over the estimated useful life of the assets concerned. Grants received from the Football Trust towards police charges are reflected in the profit and loss account on the accruals basis and serve to reduce operating expenses.

(h) Stock

Stock consists of goods held for resale and is valued at the lower of cost and net realisable value.

(i) Capitalisation of interest

The cost of financing the stadium redevelopment prior to generating revenues is capitalised as part of the cost of the project. The interest rate applied is specific to the actual rate payable on the bank facility to finance the redevelopment.

(j) Leased assets

Fixed assets acquired under hire purchase contracts are capitalised and the related obligations included in creditors. Rentals under operating leases are charged against trading profit on a straight line basis over the term of the lease.

2 TURNOVER

Turnover and operating profit/(loss) are attributable to one activity, that of a professional football club.

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

3 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	1995 £'000	1994 £'000
Expenditure incurred in setting up 500 Club (refer note 17)	–	120
Depreciation of tangible fixed assets	191	158
Amortisation of players' registrations	206	56
Profit on sales of players' registrations	1,815	54
Auditors' remuneration	8	12
Non audit fees payable to auditors (also refer note 18)	49	–
Release of grants	(23)	(11)
Operating lease rentals – property	10	–
– plant and equipment	7	1
	<u> </u>	<u> </u>

4 DIRECTORS

	1995 £'000	1994 £'000
Directors' emoluments	<u>6</u>	<u>61</u>
Remuneration of the Chairman:		
A W Mercer	–	5
C P Robinson	–	–
	<u> </u>	<u> </u>

The Directors' aggregate emoluments fall within the following bands:

	Number of Directors	
	1995	1994
£Nil	6	–
£1-£5,000	2	2
£5,001-£10,000	–	1
£10,001-£15,000	–	1
£30,001-£35,000	–	1
	<u> </u>	<u> </u>

Wheatsheaf Catering Limited has a continuing contract in respect of catering and restaurant facilities provided during the year. Mr Robinson has a beneficial interest in Wheatsheaf Catering Limited.

During the year ended 31 May 1995, Henderson Boyd Jackson WS acted as solicitors to the company in respect of the issue of Club Shares (Note 18). Mr Jackson is a partner in the firm of Henderson Boyd Jackson.

Primarily in connection with the redevelopment of Tynecastle Stadium, James Clydesdale & Associates of which Mr Clydesdale is the sole proprietor, received professional fees in the year.

Under arrangements previously in place, Cosmopolitan Investments Limited (of which Mr Mercer is the major shareholder) received fees during the year in connection with the redevelopment of Tynecastle Stadium.

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

5 STAFF COSTS

	1995 £'000	1994 £'000
Wages and salaries	2,133	1,844
Social security costs	187	184
	<u>2,320</u>	<u>2,028</u>

The average number of employees, excluding Directors, during the year was:

	1995 Number	1994 Number
Players and coaching staff	58	52
Administration and commercial department staff	22	21
Other staff	10	10
	<u>90</u>	<u>83</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	1995 £'000	1994 £'000
Bank loans and overdraft	408	301
Hire purchase	7	2
	<u>415</u>	<u>303</u>
Interest capitalised	(20)	–
	<u>395</u>	<u>303</u>

7 TAXATION

	1995 £'000	1994 £'000
UK corporation tax at 33% (1994 – 33%) – prior years	(33)	(17)

No taxation arose on the profit for the year ended 31 May 1995 due to the availability of losses brought forward (note 16).

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

8 RESULT OF COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these accounts. The company's profit for the financial year amounted to £1,975,000 (1994 - loss £1,149,000) after taking account of receipt of dividends of £1,506,000 (1994 - £ Nil) from subsidiary undertakings.

9 INTANGIBLE FIXED ASSETS

**Cost of players'
registrations**
£'000

Group and Company

Cost

At 1 June 1994	2,063
Additions	1,527
Disposals	(875)
At 31 May 1995	2,715

Amortisation

At 1 June 1994	234
Charge for year	206
Disposals	—
At 31 May 1995	440

Net book value

At 31 May 1995	2,275
At 31 May 1994	1,829

NOTES TO THE ACCOUNTS - 31 MAY 1995

(CONTINUED)

10 TANGIBLE FIXED ASSETS

(1) Group

	Land & buildings £'000	Plant & equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 June 1994	3,400	577	638	4,615
Additions	—	207	2,543	2,750
Disposals	(200)	(52)	—	(252)
Transfers	2,902	—	(2,902)	—
At 31 May 1995	6,102	732	279	7,113
Depreciation				
At 1 June 1994	—	347	—	347
Charge for year	93	98	—	191
Disposals	—	(13)	—	(13)
At 31 May 1995	93	432	—	525
Net book value				
At 31 May 1995	6,009	300	279	6,588
At 31 May 1994	3,400	230	638	4,268

Land and buildings (with the exception of premises at 7/9 McLeod Street, Edinburgh) were revalued to £3,200,000 at 31 May 1994 on a depreciated replacement cost basis by Ryden, Chartered Surveyors. The basis of valuation is in accordance with the Statement of Asset Valuation Practice No. 3 prepared by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The cost or valuation in the accounts reflects the valuation at 31 May 1994 and the cost of redevelopment incurred since that date. Ryden updated their valuation to £6 million as at 23 September 1994 which supports the current carrying value.

The premises at 7/9 McLeod Street, Edinburgh were sold during the year to Cosmopolitan Investments Limited, a company controlled by A W Mercer (a former Director and Chairman), for £200,000.

Assets in the course of construction represent costs incurred in respect of the redevelopment of Tynecastle Stadium. No depreciation is provided on these costs until the related facilities are ready for use.

Subsequent to the year end, approximately £1,150,000 has been incurred on developing the new School End Stand and £284,000 has been received from the Football Trust relating to this expenditure. Further grant monies are anticipated to be received.

NOTES TO THE ACCOUNTS - 31 MAY 1995

(CONTINUED)

10 TANGIBLE FIXED ASSETS (continued)

(2) Company

	Land & buildings £'000	Plant & equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 June 1994	3,400	514	638	4,552
Transferred from subsidiary undertakings	—	63	—	63
Additions	—	207	2,543	2,750
Disposals	(200)	(52)	—	(252)
Transfers	2,902	—	(2,902)	—
At 31 May 1995	6,102	732	279	7,113
Depreciation				
At 1 June 1994	—	324	—	324
Transferred from subsidiary undertakings	—	23	—	23
Charge for the year	93	98	—	191
Disposals	—	(13)	—	(13)
At 31 May 1995	93	432	—	525
Net book value				
At 31 May 1995	6,009	300	279	6,588
At 31 May 1994	3,400	190	638	4,228

The notes relating to Group tangible fixed assets on page 17 also apply to the company.

(3) Land and buildings

If stated under historical cost principles, the comparable amounts would be:

	Group and Company	
	1995	1994
	£'000	£'000
Cost	4,238	1,536
Accumulated depreciation	280	205
	3,958	1,331

(4) Hire purchase

Included in plant and equipment are computer equipment and motor vehicles which are held under hire purchase contracts as follows:

	Group and Company	
	1995	1994
	£'000	£'000
Net book value	132	32
Depreciation charged in year	25	17

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

11 FIXED ASSET INVESTMENTS – COMPANY

The company owns the entire ordinary share capital of the following dormant subsidiary undertakings each of which is carried at cost of £200 and is registered in Scotland:

Heart of Midlothian Commercial Limited

Heart of Midlothian Publishing Limited

12 DEBTORS

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Trade debtors	141	323	141	–
Amounts owed by subsidiary undertakings	–	–	–	439
Sundry debtors	327	156	327	133
Prepayments and accrued income	8	5	8	5
	<u>476</u>	<u>484</u>	<u>476</u>	<u>577</u>

13 CREDITORS (amounts falling due within one year)

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank loans and overdraft (note 15)	4,990	3,558	4,990	4,801
Trade creditors	419	516	419	476
Amounts owed to subsidiary undertakings	–	–	–	509
Taxation and social security	95	362	95	325
Deferred income	100	430	100	315
Loan	30	30	30	30
Accruals	138	106	138	79
Other creditors	78	200	78	179
Corporation tax	–	33	–	–
Hire purchase creditors	44	11	44	8
	<u>5,894</u>	<u>5,246</u>	<u>5,894</u>	<u>6,722</u>

The loan of £30,000, which is payable to Scottish Brewers, is interest free, payable on demand and is secured by means of a standard security over Tynecastle Stadium, second ranking behind that granted in favour of the Bank of Scotland (see note 15).

Deferred income represents the amount received in respect of sales of season tickets and sponsorship income for the next season.

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

14 CREDITORS (amounts falling due after more than one year)

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank loans (see note 15 and below)	265	472	265	472
Hire purchase creditors	103	11	103	8
	<u>368</u>	<u>483</u>	<u>368</u>	<u>480</u>

Obligations relating to hire purchase creditors are all repayable within five years. The loans detailed above are repayable in instalments as follows:

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Between one and two years	60	80	60	80
Between two and five years	180	240	180	240
After five years	25	152	25	152
	<u>265</u>	<u>472</u>	<u>265</u>	<u>472</u>

15 BANK LOANS AND OVERDRAFT

Interest on the bank loans and the overdraft facility is payable at 2% over the Bank of Scotland base rate.

Bank borrowings are secured by a bond and floating charge over all the assets of the company and a standard security over Tynecastle Stadium.

16 DEFERRED TAXATION

No provision for deferred taxation is considered appropriate. The full potential amount of the unrecognised deferred taxation asset is set out below.

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Accelerated capital allowances	(4)	(152)	(4)	(151)
Available losses	611	756	611	756
	<u>607</u>	<u>604</u>	<u>607</u>	<u>605</u>

No deferred capital gains tax has been provided in the accounts in respect of the Stadium revaluation as there is no current intention to dispose of the Stadium. It is estimated that a tax charge of £627,000 (1994 – £101,000) would arise on disposal of the Stadium.

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

17 ACCRUALS AND DEFERRED INCOME

	Group and Company	
	1995 £'000	1994 £'000
Grants receivable from the Football Trust		
At 1 June 1994	25	36
Amounts receivable during year	1,096	—
Released to profit and loss account	(23)	(11)
	<u>1,098</u>	<u>25</u>
At 31 May 1995		
Deferred income from 500 Club		
Amounts received during year	582	—
Released to profit and loss account	(93)	—
	<u>489</u>	<u>—</u>
At 31 May 1995	<u>1,587</u>	<u>25</u>

During the year ended 31 May 1994, the company agreed to give future discounts on season tickets and purchases of club merchandise to members of the "500 Club", an independent entity. In return for this concession, the 500 Club provided funds for the development of Tynecastle Stadium. During the year ended 31 May 1995 the company received £582,000 (1994—£ Nil) from the 500 Club which is being released to income over six years.

18 SHARE CAPITAL

	1995 £'000	1994 £'000
Authorised:		
2,500,000 Ordinary Shares of 10p each	250	250
8,000,000 Club Shares of 10p each	800	—
	<u>1,050</u>	<u>250</u>
Allotted, issued and fully paid:		
2,500,000 Ordinary Shares of 10p each	250	250
431,200 Club Shares of 10p each	43	—
	<u>293</u>	<u>250</u>

During the year ended 31 May 1995, the company issued 431,200 Club Shares for cash of £1.25 each to provide finance to fund its operations as follows:

	£'000	£'000
		43
Share capital at par		
Share premium	496	
Issue expenses	(392)	
	<u>104</u>	
Net share premium (Note 25)		<u>147</u>
Net proceeds		

Issue expenses include fees of £71,000 paid to the company's auditors in respect of services provided in connection with the Club Share issue.

The Club Shares rank *pari passu* in all respects with the Ordinary Shares, with the exception of voting rights as follows:

- (a) Club Shareholders are entitled, as a class, to appoint two representative directors to the company's board of directors and
- (b) Club Shareholders have the right to receive notice of, attend and speak at shareholder meetings of the company but will not have right to vote at such meetings, save in relation to the appointment of Club Shareholder representative directors.

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

19 REVALUATION RESERVE

Group and Company	£'000
Balance at 1 June 1994	1,893
Transfer to profit and loss account	(13)
Balance at 31 May 1995	<u>1,880</u>

20 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 June 1994 – deficit	(1,434)	(2,940)
Profit for the year	469	1,975
Transfer from revaluation reserve	13	13
At 31 May 1995 – deficit	<u>(952)</u>	<u>(952)</u>

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £'000	Company £'000
Shareholders' funds / (deficit) at 1 June 1994	913	(593)
Profit for the year	469	1,975
Proceeds from issue of share capital (net)	147	147
Shareholders' funds at 31 May 1995	<u>1,529</u>	<u>1,529</u>

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1995 £'000	1994 £'000
Operating profit / (loss)	831	(559)
Depreciation charge	191	158
Amortisation charge	206	56
Gain on sale of tangible fixed assets	(3)	(7)
Gain on sale of intangible fixed assets	(1,815)	(54)
Deferred income	(116)	(11)
Increase/(decrease) in stocks	47	(36)
Increase/(decrease) in debtors	33	(59)
(Decrease)/increase in creditors	(618)	499
Net cash outflow from operating activities	<u>(1,244)</u>	<u>(13)</u>

NOTES TO THE ACCOUNTS - 31 MAY 1995

(CONTINUED)

23 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1995 £'000	1994 £'000
Balance at 1 June 1994	(3,478)	(3,194)
Net cash outflow	(1,452)	(284)
Balance at 31 May 1995	<u>(4,930)</u>	<u>(3,478)</u>

24 ANALYSIS OF CASH AND CASH EQUIVALENTS

	1995 £'000	1994 £'000	Change in year £'000
Bank overdraft	<u>(4,930)</u>	<u>(3,478)</u>	<u>(1,452)</u>

25 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Loans and hire purchase financing £'000	Share capital £'000	Share premium £'000
Balance at 1 June 1994	604	250	204
Cash outflow from financing	(272)	—	—
Hire purchase advances	170	—	—
Proceeds from share issue (net)	—	43	104
Balance at 31 May 1995	<u>502</u>	<u>293</u>	<u>308</u>

NOTES TO THE ACCOUNTS – 31 MAY 1995

(CONTINUED)

26 FINANCIAL COMMITMENTS AND CONTINGENCIES

At 31 May 1995 the company had annual commitments under operating leases as follows:

	Group and Company	
	1995	1994
	£'000	£'000
Expiring between two and five years (equipment)	6	—
Expiring after five years (property)	25	—
	<u>31</u>	<u>—</u>

Future capital expenditure, which relates entirely to the redevelopment of Tynecastle Stadium, is as follows:

	1995	1994
	£'000	£'000
Contracted for but not provided in the accounts	1,064	1,463
Authorised by the Directors, but not contracted for	85	830
	<u>1,149</u>	<u>2,293</u>

In the course of acquiring players' registrations from other football clubs, the company enters into agreements which may require future payments based on the acquired players' achievements or the future income received by the company upon the sale of such registrations.

The company is involved in certain disputes which arose after the year end and which have no impact on the accounts at 31 May 1995.

27 ULTIMATE PARENT COMPANY

New Hearts Limited holds 52.31% of the issued share capital of the company and is therefore the ultimate holding company. New Hearts Limited is registered in Scotland.