Company Registration No. SC005863 (Scotland)

HEART OF MIDLOTHIAN PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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COMPANIES HOUSE

HEART OF MIDLOTHIAN PLC

COMPANY INFORMATION

Directors	Dr A Budge	
	C Levein	
	Dr T Hogg	
	K Windram	
	B Cormack	
	D Cumming	(Appointed 1 July 2015)
Secretary	J Duncan	
Company number	SC005863	
Registered office	Collins House Rutland Square Edinburgh EH1 2AA	
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	
Business address	Tynecastle Stadium Gorgie Road Edinburgh EH11 2NL	

HEART OF MIDLOTHIAN PLC

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HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present the strategic report for the year ended 30 June 2016.

Fair review of the business

With a return to the Premier League, the 2015/16 playing season was a successful one for Heart of Midlothian football club. Finishing 3rd in the top flight enabled a welcome return to Europa League football in 2016/17. With our first European tie taking place on 30 June 2016, we have drawn our accounts for the 2015/16 season up to 29 June 2016. This allows us to properly reflect the 2016/17 activity in our 2016/17 accounts.

For 2015/2016, Turnover increased by £2.9m to £9.9m. This was due to the following:

- an increase in SPFL monies, resulting from a 3rd place final position in the Premier League
- an increase in ticket income, aided by the sale of over 13,000 season tickets and sell-out crowds for the majority of our home matches
- an increase in commercial activity
- an increase in sponsorship and advertising activities
- the introduction of a new retail revenue stream as a consequence of bringing the retail operation inhouse

Staff costs rose by £1.7m during the year. The business has continued to increase both the player and non-player base, with average full-time employee numbers increasing from 122 to 144 during the year. Bringing the retail business inhouse from February 2016 contributed to this increase. In addition, 105 part-time employees work within the hospitality area, an increase of 19 over the prior year. The business is proud to be a Living Wage employer and implemented the increased Living Wage in November 2015.

Other operating charges rose to £4.1m from £3.5m in the prior year, reflecting the cost of the associated increase in revenue.

During the 2015/16 season the business has incurred £195k of cost in developing the new Museum and the Memorial Garden. Both of these projects are fitting tributes to the Club's fans and history.

The net cash inflow during the year of £1.5m largely resulted from the sale of players, in particular the sale of Osman Sow to Chinese Super League side Henan Jianye, the continuing support of Foundation of Hearts, our ongoing partnership with Save the Children and a number of significant benefactor contributions. This cash inflow, along with monies received via our commercial activities, has allowed the business to acquire new player registrations, continue to invest in the Academy and embark on the stadium redevelopment project.

During the year, the business announced its plans to redevelop the stadium at Tynecastle. £705k has been incurred up to 30 June 2016 in purchasing the current Administration building and developing the Wheatfield under-croft, which will be the business's temporary base during the main stand build period. The new main stand build received planning permission in October 2016, subject to certain conditions.

As part of the Tynecastle redevelopment project, the Foundation of Hearts, following approval by their membership, has agreed to participate in the funding of this project in advance of repaying the Bidco loan. The Board and the directors of Foundation of Hearts Ltd are engaged in the process of formally adopting the necessary changes to the original Repayment and Funding Support Agreement.

In terms of financial control, the club continues to use a variety of performance measures in order to monitor and manage the business effectively, with the key performance indicator being the relationship of payroll costs to turnover. The fixed costs of the business which are mainly football related payroll costs and the upkeep of the stadium are managed within the constraints of the turnover figure.

As in the prior year, the company's prudent budget and financial controls allow us to confirm that we continue to meet UEFA's Financial Fair Play criteria.

A cornerstone of our business continues to be the production of young players through our Academy with a view to developing them into first team players. A number of our first team squad are a recognised product of this programme.

Finally the Board would like to express its thanks to the employees, players, supporters, shareholders and other associates such as sponsors, commercial and community partners for their continued support of the business.

On behalf of the board

Ann Budge

Dr A Budge

Director

17th Oct. 2016

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report and financial statements for the year ended 30 June 2016.

Principal activities
The principal activity of the company is that of a professional football club.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr A Budge
C Levein
Dr T Hogg
K Windram
B Cormack
D Cumming (Appointed 1 July 2015)

Results and dividends
The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Future developments
The Club has embarked on a significant stadium redevelopment programme. This will involve the building of a new main stand, the development of the Wheatfield under-croft and an upgrade to many other areas of the stadium. It is envisaged that this project will take around two years to complete.

New accounting standards - FRS 102
Due to changes in UK accounting standards, the directors have adopted for the first time this year the new Financial Reporting Standard 102, in the preparation of these financial statements.

This has led to a number of presentational changes to the format of the financial statements. Changes to the comparative figures arising from the implementation of Financial Reporting Standard 102 are explained in note 34 of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Dr A Budge

Director

17th Oct. 2016

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

We have audited the financial statements of Heart of Midlothian plc for the year ended 30 June 2016 which comprise the Profit And Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. 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 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

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.

Johnston Carmichael LLP

Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

17 Oct 2016

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

HEART OF MIDLOTHIAN PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Operations excluding player trading £000	Player trading £000	2016 Total £000	2015 Total £000
Turnover	**3**	9,967	-	9,967	6,982
Staff costs	**6**	(5,520)	-	(5,520)	(3,798)
Depreciation and other amounts written off tangible and intangible fixed assets	**11, 12**	(224)	(213)	(437)	(324)
Other operating charges		(4,139)	-	(4,139)	(3,526)
Museum development costs	**4**	(140)	-	(140)	-
Memorial Garden development costs	**4**	(55)	-	(55)	(109)
Loan fee income		-	85	85	59
Gain on sale of players' registrations		-	1,019	1,019	-
Profit/(loss) on ordinary activities before interest	**4**	(111)	891	780	(716)
Other interest receivable and similar income	**8**			18	-
Interest payable and similar charges	**9**			(172)	(172)
Profit/(loss) on ordinary activities before taxation				626	(888)
Taxation	**10**			(3)	-
Profit/(loss) for the financial year				623	(888)
Other comprehensive income for the year					
Bidco (1874) loan interest waived	**25**			13	-
Total comprehensive income for the year				636	(888)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

HEART OF MIDLOTHIAN PLC

BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	11		437		345
Tangible assets	12		7,382		6,858
			7,819		7,203
Current assets					
Stocks	14	248		32	
Debtors	15	2,522		2,144	
Cash at bank and in hand		5,036		3,520	
		7,806		5,696	
Creditors: amounts falling due within one year	16	(5,832)		(5,244)	
Net current assets			1,974		452
Total assets less current liabilities			9,793		7,655
Creditors: amounts falling due after more than one year	17		(2,400)		(5,093)
Net assets			7,393		2,562
Capital and reserves					
Called up share capital	22		15,648		15,644
Share premium account	23		11,769		11,769
Revaluation reserve	24		159		159
Other reserves	25		4,204		-
Profit and loss reserves	26		(24,387)		(25,010)
Total equity			7,393		2,562

The financial statements were approved by the board of directors and authorised for issue on 17th Oct 2016 and are signed on its behalf by:

Dr A Budge
Director

Company Registration No. SC005863

HEART OF MIDLOTHIAN PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Share capital £000	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss reserves £000	Total £000
Balance at 1 July 2014		14,692	11,674	159	-	(24,122)	2,403
Period ended 30 June 2015:							
Loss for the year		-	-	-	-	(888)	(888)
Issue of share capital	**22**	952	-	-	-	-	952
Premium on issue of shares		-	95	-	-	-	95
Balance at 30 June 2015		15,644	11,769	159	-	(25,010)	2,562
Period ended 30 June 2016:							
Profit for the year		-	-	-	-	623	623
Issue of share capital	**22**	4	-	-	-	-	4
Transfer from liability to equity	**25**	-	-	-	3,941	-	3,941
Funds received from 1 June 2016 from Foundation of Hearts	**25**	-	-	-	250	-	250
Bidco (1874) loan interest waived	**25**	-	-	-	13	-	13
Balance at 30 June 2016		15,648	11,769	159	4,204	(24,387)	7,393

HEART OF MIDLOTHIAN PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £000	£000	2015 £000	£000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	33		(122)		840
Investing activities					
Payments to acquire player registrations		(265)		(145)	
Receipts from sale of player registrations		1,038		-	
Purchase of tangible fixed assets		(386)		(50)	
Net cash generated from/(used in) investing activities			387		(195)
Financing activities					
Funds from Foundation of Hearts Limited		1,498		1,471	
Interest and arrangement fees paid		(247)		(150)	
Net cash generated from financing activities			1,251		1,321
Net increase in cash and cash equivalents			1,516		1,966
Cash and cash equivalents at beginning of year			3,520		1,554
Cash and cash equivalents at end of year			5,036		3,520

1 Accounting policies

Company information

Heart of Midlothian plc is a company limited by shares incorporated in Scotland. The registered office is Collins House, Rutland Square, Edinburgh, EH1 2AA.

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. The accounts have been drawn up to 29 June 2016.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain tangible fixed assets and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 30 June 2016 are the first financial statements of Heart of Midlothian plc prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 July 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 34.

1.2 Going concern

The directors have prepared cash flow projections through to 31 December 2017. The projections include the continued support of the Foundation of Hearts, contributing £125,000 per month towards funding Stadium redevelopment.

The projections indicate that the company should remain cash positive throughout the period they cover. This includes the projected spend on redeveloping the Stadium planned during this period. Whilst the company is not wholly dependent on the cash inflows from the Foundation of Hearts to continue as a going concern, the Foundation monies continue to be a vital source of funding.

Having reviewed the cash flow projections, and in light of the continued close relationship between the Club's board of directors and the Foundation of Hearts, the directors believe that the company has the ability to continue as a going concern for the foreseeable future.

The directors have concluded that it is appropriate for the accounts to be prepared on a going concern basis.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts, from football and related commercial activities.

The fixed element of broadcasting revenues is recognised over the duration of the football season, whilst facility fees for live coverage or highlights are recognised when earned.

Income from the sale of season tickets in respect of the coming season is deferred at the year end and recognised throughout the year based on the number of matches.

Money received as donations are recognised as turnover when received.

1 Accounting policies **(Continued)**

1.4 Players' registrations, transfer fees and signing on fees

Costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised, in equal annual instalments, over the period of the respective players' contracts based on nil residual values. Players' registrations are written down for impairment when the carrying amount exceeds the estimated amount recoverable through continued registration with the Club or sale. Profits or losses on the disposal of player registrations are recognised in the profit and loss account in the year in which the transfer contract is signed and represents the transfer fee receivable, net of any transaction costs, less the unamortised cost of the player's original registration.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Under FRS102 Section 35, the company has elected to freeze the previous GAAP revaluation of freehold land and buildings and memorabilia and treat it as deemed cost as at the revaluation date. Freehold land and property is depreciated from the valuation date, memorabilia and assets in the course of construction are not depreciated.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	Depreciated over a period of 50 years
Leasehold property	Depreciated over 25 year term of lease
Assets in the course of construction	See above
Plant and equipment	Depreciated over a period of 4 to 10 years
Memorabilia	See above

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss account.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment in the profit and loss account. Reversals of impairment losses are also recognised in the profit and loss account.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets, other than those held at fair value through the profit and loss account, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and amounts owed to the Foundation of Hearts, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of player registrations

The costs of player registration and transfer fees are written off over the term of the players' contracts. The directors review the value of these assets each year to identify if there is any impairment in the value of them. Where an impairment is identified, it is recognised in the profit and loss account.

Depreciation and estimated useful life of tangible assets

The directors must estimate the useful life and residual value of tangible assets, and determine a suitable depreciation rate over which to write down these assets. Details of these estimates are included in note 1.5. The directors also review the carrying value of tangible assets for any potential impairment, Where an impairment is identified, it is recognised in the profit and loss account.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £000	2015 £000
Turnover		
Gate receipts	4,333	4,098
Sponsorship and advertising	647	228
Broadcasting rights	238	201
Commercial	2,019	1,327
UEFA solidarity and prize money	1,995	984
Other operating income	735	144
	9,967	6,982

Included within other operating income this year is £270,000 of donations and a £108,000 bequest received via Foundation of Hearts Limited. The Club wishes to thank all of its supporters for their generosity.

Other significant revenue		
Interest income	18	-

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2016 £000	2015 £000
UK	9,967	6,982

4 Profit/(loss) on ordinary activities before interest

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before interest for the year is stated after charging:		
Depreciation of owned tangible fixed assets	224	266
Amortisation of intangible assets	213	58
Cost of stocks recognised as an expense	102	-
Impairment of stocks recognised or reversed	14	-
Operating lease charges	303	305

During the year the company spent £55,000 (2015 - £109,000) developing a Memorial Garden in the grounds of the Stadium. The company also spent £140,000 (2015 - £nil) in creating the Heart of Midlothian Museum within the Stadium.

5 Auditors' remuneration

Fees payable to the company's auditor and its associates:	2016 £000	2015 £000
For audit services		
Audit of the company's financial statements	15	15
For other services		
Taxation compliance services	3	3
Other taxation services	2	-
All other non-audit services	5	5
	10	8

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Players and coaching staff	95	79
Administration and commercial staff	49	43
Part-time hospitality staff	105	86
	249	208

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	4,989	3,454
Social security costs	515	339
Pension costs	16	5
	5,520	3,798

7 Directors' remuneration

	2016 £000	2015 £000
Remuneration for qualifying services	154	114

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

8 Interest receivable and similar income

	2016 £000	2015 £000
Interest income		
Interest on bank deposits	18	-

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	18	-

9 Interest payable and similar charges

	2016 £000	2015 £000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	172	172

10 Taxation

	2016 £000	2015 £000
Current tax		
UK corporation tax on profits for the current period	3	-

The charge for the year can be reconciled to the profit/(loss) per the profit and loss account as follows:

	2016 £000	2015 £000
Profit/(loss) before taxation	626	(888)
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%)	125	(184)
Tax effect of expenses that are not deductible in determining taxable profit	70	71
Unutilised tax losses carried forward	-	194
Change in unrecognised deferred tax assets	(192)	(108)
Group relief	-	35
Other tax movements	-	(8)
Tax expense for the year	3	-

11 Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2015	398
Additions - separately acquired	324
Disposals	(94)
At 30 June 2016	628
Amortisation and impairment	
At 1 July 2015	53
Amortisation charged for the year	213
Disposals	(75)
At 30 June 2016	191
Carrying amount	
At 30 June 2016	437
At 30 June 2015	345

12 Tangible fixed assets

	Land and buildings freehold	Leasehold property	Assets in the course of construction	Plant and equipment	Memorabilia	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 July 2015	5,450	2,544	-	2,296	159	10,449
Additions	-	-	705	43	-	748
At 30 June 2016	5,450	2,544	705	2,339	159	11,197
Depreciation and impairment						
At 1 July 2015	218	1,119	-	2,254	-	3,591
Depreciation charged in the year	109	102	-	13	-	224
At 30 June 2016	327	1,221	-	2,267	-	3,815
Carrying amount						
At 30 June 2016	5,123	1,323	705	72	159	7,382
At 30 June 2015	5,232	1,425	-	42	159	6,858

12 Tangible fixed assets **(Continued)**

Revalued assets

J&E Shepherd, Chartered Surveyors, valued the freehold land and buildings as at 8 November 2012 on a depreciated replacement cost basis at £5.45m on the basis of the Practice Statements contained within the Royal Institution of Chartered Surveyors Appraisal & Valuation manual.

During the period to 31 July 1998, Mark Medcalf Associates valued memorabilia owned by the company at £159,000 on the basis of open market value and his revaluation has been incorporated in the financial statements. On the historic cost basis, these items were previously carried at £nil cost and £nil net book value. The directors elected to "freeze" this valuation under the transitional arrangements of FRS15 and to treat this as the cost going forward.

Under FRS102 Section 35, the company has elected to freeze the previous GAAP revaluation of freehold land and buildings and memorabilia and treat it as the deemed cost as at the revaluation date.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2016 £000	2015 £000
Cost	12,143	11,778
Accumulated depreciation	4,412	4,176
Carrying value	7,731	7,602

The revaluation surplus is disclosed in note 24.

Stadium redevelopment

In March 2016, the business announced its plans to redevelop Tynecastle Stadium. The plans include the development of the under-croft in the Wheatfield stand and a new main stand build. At 30 June 2016, £705,000 has been incurred to further these plans. Costs incurred reflect the purchase of the Administration Building (current corporate office), development costs on the under-croft work and related professional fees. These costs have been capitalised in the accounts as 'Assets in the course of construction'. The new main stand build received planning permission in October 2016, subject to certain conditions.

13 Financial instruments

	2016 £000	2015 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,355	2,037
Cash at bank	5,036	3,520
Carrying amount of financial liabilities		
Measured at amortised cost	4,107	3,604

14 Stocks

	2016 £000	2015 £000
Finished goods and goods for resale	248	32

15 Debtors

Amounts falling due within one year:	2016 £000	2015 £000
Trade debtors	273	171
Other debtors	1,864	1,812
Prepayments and accrued income	385	161
	2,522	2,144

16 Creditors: amounts falling due within one year

	Notes	2016 £000	2015 £000
Trade creditors		925	540
Corporation tax		3	-
Other taxation and social security		633	497
Deferred income	20	3,713	3,514
Other creditors and accruals		558	693
		5,832	5,244

17 Creditors: amounts falling due after more than one year

	Notes	2016 £000	2015 £000
Loans and overdrafts	18	2,400	2,400
Amounts due to Foundation of Hearts		-	2,693
		2,400	5,093

18 Loans and overdrafts

	2016 £000	2015 £000
Loans from fellow group undertakings	2,400	2,400
Payable after one year	2,400	2,400

Amounts owed to the company's parent company, Bidco (1874) Limited, are secured by a standard security over Tynecastle Stadium. Bidco (1874) Limited also hold a floating charge over the assets of the company.

19 Provisions for liabilities

Unrecognised deferred tax asset

The potential deferred tax asset not recognised in the financial statements as follows:

	2016 £000	2015 £000
Fixed asset timing differences	329	382
Other timing differences	-	2
Tax losses available	9,766	12,572
	10,095	12,956

The potential deferred tax asset has not been recognised in accordance with the accounting policy set out in note 1, because it is not clear that suitable taxable profits will be available in the forseeable future for offset.

20 Deferred income

	2016 £000	2015 £000
Other deferred income	3,713	3,514

Other deferred income principally represents amounts received from the sale of season tickets and sponsorship.

21 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £16,000 (2015 - £5,000).

22 Share capital

	2016 £000	2015 £000
Issued and fully paid		
156,478,232 Ordinary shares of 10p each	15,648	15,644

Each share has equal voting rights and is entitled to one vote each.

Reconciliation of movements during the year:

	Number
At 1 July 2015	156,438,960
Issue of fully paid shares	39,272
At 30 June 2016	156,478,232

During the year, the company issued 39,272 ordinary shares of 10p each for 11p per share. The total consideration of these shares was £4,320. The proceeds were received in the year ended 30 June 2013 prior to the company entering administration.

23 Share premium account

The share premium account represents amounts received in excess of the par value of a share.

24 Revaluation reserve

The revaluation reserve represents the revaluation of memorabilia as at 31 July 1998, based on the open market value. The memorabilia was previously carried at £nil cost.

25 Other reserves

	Foundation of Hearts working capital reserve	Foundation of Hearts stadium redevelopment reserve	Bidco (1874) Ltd stadium redevelopment reserve	Total
	£000	£000	£000	£000
At 1 July 2014 and 30 June 2015	-	-	-	-
Transfer from liabilities to equity	3,941	-	-	3,941
Funds received from Foundation of Hearts	-	250	-	250
Interest waived by Bidco	-	-	13	13
At 30 June 2016	3,941	250	13	4,204

The Foundation of Hearts working capital reserve represents the funding received from Foundation of Hearts Limited in the first two years of its support to the company, which ended on 9 May 2016. With the successful completion of the initial two year financial support period, the directors have reviewed these balances in conjunction with the directors of Foundation of Hearts Limited. These funds are not repayable to Foundation of Hearts Limited and therefore have been reclassified as equity rather than as a liability in these financial statements.

The Foundation of Hearts stadium redevelopment reserve includes the funds advanced by Foundation of Hearts, subsequent to the end of the initial two year period, for the purpose of the redevelopment of Tynecastle stadium. These funds are not repayable to Foundation of Hearts and therefore have been classified as equity rather than as a liability. See note 32 below.

The Bidco (1874) Ltd stadium redevelopment reserve includes the interest waived on the senior loan from 1 June 2016.

For the year ended 30 June 2016, a total of £1.25m (2015 - £1.5m) has been provided to the company by the Foundation of Hearts Limited in accordance with the Repayment and Funding Support Agreement dated 9 May 2014 between Bidco (1874) Limited and Foundation of Hearts Limited. A further £250,000 of funding was provided following the second anniversary of this agreement. During the year, the Foundation forwarded a further £108,000 being a bequest received from a member, this was recognised as income in the company's profit and loss account. Foundation of Hearts Limited, hold a standard security over Tynecastle Stadium. Foundation of Hearts Limited also holds a floating charge over the assets of the company. All securities held by Foundation of Hearts Limited are subordinated behind the security held by Bidco (1874) Limited.

26 Profit and loss reserves

The profit and loss reserves represent the accumulated losses of the company.

27 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	2015 £000
Within one year	288	303
Between two and five years	1,152	1,152
In over five years	1,728	2,016
	3,168	3,471

28 Capital commitments

	2016 £000	2015 £000
At 30 June 2016 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	1,418	-

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including directors, is as follows.

	2016 £000	2015 £000
Aggregate compensation	415	341

Transactions with related parties

During the year, the company was charged interest and arrangement fees of £172,000 (2015 - £172,000) on a loan of £2.4m made to the company by Bidco (1874) Limited. As a contribution to the Tynecastle stadium redevelopment project, Bidco (1874) Limited has waived all interest due from 1 June 2016, £12,500 (2015 - £nil). As part of the new Bidco / Foundation Agreement (see note 32 below) it is anticipated that no interest will be paid to Bidco (1874) Limited during the years ended 30 June 2017 and 30 June 2018. At 30 June 2016 the company owed Bidco (1874) Limited £2.4m (2015 - £2.4m), plus an accrued arrangement fee of £nil (2015 - £110,000) as it was paid in the year.

Foundation of Hearts Limited is a company in which D Cumming and B Cormack were also directors during the year. During the year, Foundation of Hearts Limited made advances of £1.5m (2015 - £1.5m) to support the working capital requirements of the company and to contribute capital to future funding. As at 30 June 2016, the total amount received from Foundation of Hearts Limited was £4.3m (2015 - £2.7m).

Dr A Budge is a director of Big Hearts Community Trust. During the year, the company received net amounts of £10,438 (2015 - £7,342) from the charity. As at 30 June 2016, the company was owed £720 (2015 - £11,158) by Big Hearts Community Trust.

30 Controlling party

The company's parent and ultimate parent company is Bidco (1874) Limited. The ultimate controlling party is Dr A Budge.

Bidco (1874) Limited is the only company into which the results of the company are consolidated. Copies of the consolidated accounts can be obtained from Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

31 Subsidiaries

Details of the company's subsidiaries at 30 June 2016 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct	Indirect
Tynecastle Events Limited	Scotland	Dormant	Ordinary	100.00	

The capital and reserves for the year of the subsidiary was £1.

32 Bidco/Foundation of Hearts revised agreement

The directors of Foundation of Hearts Limited, following approval by their membership at the end of May 2016, have agreed to participate in the funding of the redevelopment of Tynecastle Stadium. The Foundation of Hearts Limited and the company's parent company Bidco (1874) Limited are engaged in the process of formally agreeing the necessary changes and additions to the original Repayment and Funding Support Agreement signed in May 2014.

33 Cash generated from operations

	2016 £000	2015 £000
Profit/(loss) for the year after tax	623	(888)
Adjustments for:		
Taxation charged	3	-
Finance costs	172	172
Investment income	(18)	-
Gain on sale of registrations	(1,019)	-
Amortisation and impairment of intangible assets	213	58
Depreciation and impairment of tangible fixed assets	224	266
Movements in working capital:		
(Increase) in stocks	(216)	(32)
(Increase) in debtors	(381)	(676)
Increase in creditors	78	233
Increase in deferred income	199	1,707
Cash (absorbed by)/generated from operations	(122)	840

34 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

Reconciliation of equity

	1 July 2014 £000	30 June 2015 £000
Equity as reported under previous UK GAAP	1,094	1,289
Adjustments arising from transition to FRS 102:		
Football Trust deferred grant income	1,309	1,273
Equity reported under FRS 102	2,403	2,562

Reconciliation of profit or loss

	2015 £000
Profit or loss as reported under previous UK GAAP	(852)
Adjustments arising from transition to FRS 102:	
Football Trust deferred grant income	(36)
Profit or loss reported under FRS 102	(888)

Notes to reconciliations on adoption of FRS 102

Football Trust Grant income

On implementation of FRS 102, the company has adopted an accounting policy of recognising grant income using the performance model. Under this policy, grant income can be recognised when the company has performed everything it needs to do such that the grant is not repayable. Previously it was the company's policy to recognise grant income over the estimated useful life of the assets funded by the grant.