

HEART OF MIDLOTHIAN PLC
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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HEART OF MIDLOTHIAN PLC

COMPANY INFORMATION

Directors	Dr A Budge Dr T Hogg D Cumming J Duncan S Wallace K D Windram
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 Park 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 2019

The directors present the strategic report for the year ended 30 June 2019.

Fair review of the business

Financial Year 2018/19, once again, brought with it both challenges but also significant achievements, as we move ever close to becoming the largest fan-owned football club in the UK. We remain focussed on achieving our long-term objective of building a financially stable operation, with the infrastructure, vision and people in place, to ensure the on-going successful development of our Club. Once again, we have recorded a strong financial performance, while continuing to invest for the future, both on and off the pitch.

Our Tynecastle Redevelopment Project continued apace during the year, seeing a number of new facilities completed and open for business. Notable amongst those was the Tynecastle Nursery, which opened for business in their new home in the North-East corner of the new Main Stand in October, to great accolades from the Council, the Nursery Staff and the Parents. It has been described as "the best council nursery in Edinburgh".

Other major works included completion of our new state-of-the-art Plant Room, below the Roseburn Stand. We also completed all Ground Floor works to the Main Stand including our Media Room and Police Room, and very importantly our splendid new Changing Rooms. These were completed in time for our first home game of the new 2019/20 season, in July 2019.

Hand-in-hand with completing all ground-floor facilities, we turned our attention to fitting out our magnificent 3rd Floor facilities. These have provided us with a new Directors' Suite for match-days, enabling a new Directors' seating area to be established alongside our Skyline Lounge seating, all catered for by our superb Skyline Restaurant. These facilities have been described by many as "the best in Scottish Football".

All that remains to be completed in our Main Stand is the development of our 2nd floor. While plans and estimates have been prepared, this final stage of development will only commence when our cashflow allows. Our plan has always been that the returns from our early phases of investment will finance the later stages of development. We are well en route to achieving this.

Tynecastle Park has been transformed into one of Edinburgh's leading event spaces. We can now accommodate over 1200 people across our various suites for a full range of events, including conferences, exhibitions, private dinners and weddings. Our in-house catering and hospitality team have worked tirelessly to make Tynecastle Park a major player in this market and we are confident that with our continued focus on quality and excellence, we will continue to grow this business.

As a football club, external focus is, of course, always on the performance of our First Team.

Unfortunately, our success on the pitch for the 2018/19 season did not reach the level to which we aspire as disappointingly we finished in 6th place in the Ladbrokes Premiership for the second year in succession. During the year we continued to make a significant investment in our playing squad and while our final league position was disappointing, we did achieve success in both the League Cup and Scottish Cup. A League Cup semi-final at BT Murrayfield, watched by over 28,000 Hearts supporters, followed later in the year by a Scottish Cup final at Hampden in May 2019, supported by over 21,000 Hearts fans, allowed us to finish the season on a positive note.

Our commitment to youth development continued during the year and remains a cornerstone of our business model. Consistent with the prior year, 9 of our academy players signed their first professional contract with the club in season 2018/19 and many of our academy players have played their part in first team football during the year. In 2019, we hosted the inaugural Hearts Invitational Tournament that welcomed Pro Academy boys' teams from Scotland, England (including English Premiership giants Arsenal and Liverpool), Belarus and the US. The tournament received fantastic feedback from all of the teams involved and three further tournaments (two boys and one girls) are planned for 2020.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

From a financial perspective we have once again achieved our major objective which was to grow our revenues profitably. Our turnover increased by over 20% from £12.1m to £15.1m. This resulted partly from growth in our commercial income, aided by the new facilities in our main stand and also as a result of our successes in both the League and Scottish Cups, which helped boost our gate receipts, TV and prize monies. Inevitably our operating costs increased in response to this increase in turnover and hence our staff costs rose from £7m to £8.2m. In addition, our other operating charges increased from £6.1m to £6.5m, again reflecting the increase in our turnover. During the year, we received an exceptional £1m donation towards player costs from our benefactors, which allowed us to increase our playing budget for the year. Overall, we are delighted to report an operating profit of £1.6m, well in excess of our budget.

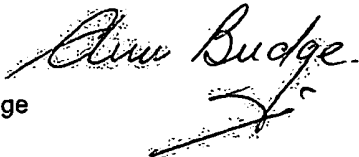
The company's balance sheet at 30 June 2019 remains strong with net assets of £17.5m. At year end, approximately £20.7m of stadium redevelopment costs have been capitalised.

Our cash inflow during the year was £0.4m. This arose through the generation of £2.2m from operating activities, receipts of £0.6m from the sale of players, in particular Kyle Lafferty to Rangers FC, the receipt of £2.25m from our benefactors and short term funding from Bidco (1874) Ltd of £0.7m. This income was offset by payments made in connection with the Tynecastle Redevelopment Project amounting to £3.6m and the repayment of loan facilities of £1m. We also continued to benefit from our ongoing partnership with Save the Children and the continued support from the Foundation of Hearts. During the year, the Foundation of Hearts continued to acquire future participation rights in the senior loan between Bidco (1874) Ltd and the company to the value of £1.32m.

In summary, it was another challenging year both on and off the pitch, however, we continued to focus on our core values and have delivered a very positive financial performance. This bodes well for the future.

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

On behalf of the board



Dr A Budge
Director

15th November, 2019

HEART OF MIDLOTHIAN PLC

CORPORATE AND SOCIAL RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present the corporate and social responsibility statement for the year ended 30 June 2019.

Heart of Midlothian Football Club has a rich heritage with a history dating back to 1874. The Club is an established force for good in the heart of Edinburgh and has played a central role in the lives of generations of supporters. The Club is focussed on promoting strong community values, using the power of sport to provide meaningful education, employability, health, social inclusion, environmental and sport-related programmes.

Located in one of Edinburgh's most challenged communities, characterised by significant socio-economic deprivation, the Club is a focal point for community support. The Club galvanises a passionate and committed fanbase and provides significant outreach to those who require help and support.

Community engagement is embedded at all levels of the Club and is focussed on tackling a wide range of social issues through 'on-pitch' and 'off-pitch' programmes.

The Club has four principal vehicles through which it provides outreach work in the community:

- Big Hearts
- Community Football
- Heritage
- The Innovation Centre

Big Hearts is the Club's independently regulated charity. Big Hearts' main commitment is to improve the lives of vulnerable individuals and families across Edinburgh. Through Big Hearts' programmes of support, the most isolated and at risk in the community have access to meaningful activities that help build their social connection and improve their emotional wellbeing.

In the past year, Big Hearts has engaged with 2,285 individuals across 17 different programmes of support. Around 90 people are engaged on a weekly basis supported by an average of 25 volunteers. In total, 212 free days of activities were enjoyed by children and families at Tynecastle Park.

Big Hearts' focus on supporting those living in poverty, saw the charity dispense 38 crisis grants and serve 1,500 meals to children in its holiday hunger programme.

Our Community Football Department is run on a not for profit basis. The department employs 3 full-time staff members and 15 part-time community coaches who are responsible for promoting health and wellbeing through the delivery of a variety of different programmes, catering for all ages. The programmes include school holiday courses, schools' projects, coach education and Walking Football for men and women over 50. The programmes are accessibly priced (or provided without charge) and are powerful vehicles for promoting healthier lifestyles.

Over the past year, Community Football has seen great success in the running and proliferation of its successful Play the Game and Small Sided Street Games programmes. Over 2,000 coaches in grassroots clubs across the length and breadth of Scotland have been introduced to the benefits of these programmes as a means of encouraging more children and young people to participate in football as a social activity.

Working in partnership with Big Hearts, Community Football is also engaged with a variety of sports and non-sports agencies to engage with some of the most challenged and vulnerable members of the community.

Over the past year, Community Football also supported 40 men and women through the SPFL Trust's Football Fans in Training programme.

Our Heritage Department is also run on a not for profit basis. The mission of the department is to curate and safeguard the Club's rich heritage for generations to come. The team works hard to bring the past to life, by creating engaging and informative experiences for any Hearts supporter, tourist or local visitor. Stadium tours take place on a regular basis and help to cover the costs of caring for the collection, running the museum and caring for the Memorial Garden. The new Heritage Trail is now operating on a monthly basis, engaging supporters and visitors to Edinburgh, on a fascinating tour that visits key locations across the capital from the Club's founding years.

HEART OF MIDLOTHIAN PLC

CORPORATE AND SOCIAL RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

This year, we are delighted to report that the Museum recorded its 20,000th visitor and remains a free, accessible attraction.

Our fourth vehicle, The Innovation Centre, was launched formally in May 2019 with sponsorship and support from leading Edinburgh Fund Manager, Baillie Gifford and a generous donation of technical equipment from Dell. The Innovation Centre has two main focus areas - Digital Education and Business Support:

- Digital Education

The Club works in partnership with learning providers and schools and businesses, using the power of football and the unique position of Heart of Midlothian Football Club in the community, to attract and motivate young people of all ages to acquire skills for the digital economy. Working with these partners, the Innovation Centre now hosts a range of clubs, courses and festivals that provide young people with the opportunity to develop their interest and aptitude in coding, robotics and other STEM related subjects. There is a particular focus on attracting and retaining girls in a domain where they are significantly underrepresented.

- Business Support

The Club launched a new Business Support initiative in the Innovation Centre at the end of the season. The aim of the Business Support service is to provide advice and encouragement for people to set up their own enterprises or to help sustain existing businesses.

A pilot programme called Ninety Minutes: The Perfect Match has been launched which aims to equip participants with critical core business skills and knowledge. Participants with business ideas and start-ups receive advice, support and training to set up and grow their business, as well as the opportunity to network and make new contacts. Edinburgh law firm Brodies LLP provide advice on a pro bono basis and are supported by a number of volunteers who offer great experience in setting up and operating successful businesses. This ensures that the programme can be delivered free of charge.

The Club is also building partnerships with complementary agencies, support networks and funders and it is expected that a number of partnerships will be formed in the future.

We are immensely proud of the achievements of our charity, Big Hearts, our Community Football Department, our Heritage Department and our new Innovation Centre.

In addition to the achievements outlined above, there are two other key areas that continue to be a source of enormous pride for the club. The first is our unique partnership with Save the Children, running now for four seasons and taking us through to 2021. The second is our continued commitment to the living wage, which we implemented in 2014. We remain the only football club in Scotland that is an accredited living wage employer.

On behalf of the board



Dr A Budge
Director

15th November, 2019

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and financial statements for the year ended 30 June 2019.

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

Resigned 31 October 2019

Dr T Hogg

D Cumming

J Duncan

S Wallace

K D Windram

Results and dividends

The results for the year are set out on page 10.

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

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

On matters affecting employees' interests, the company's policy is to consult and discuss with employees at regular communication briefings and through the annual appraisal process.

Information about matters of concern to employees is given through statements from the Chief Executive and other communication briefings. The purpose of these is to achieve a common awareness on the part of all employees of the financial and economic factors affecting company performance.

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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

15th November, 2019

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Opinion

We have audited the financial statements of Heart of Midlothian plc (the 'company') for the year ended 30 June 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.
-

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.

Johnston Carmichael LLP

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

15 November 2019

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 2019

	Notes	Operations excluding player trading £000	Player trading £000	2019 Total £000	2018 Total £000
Turnover	3	15,067	-	15,067	12,131
Staff costs	6	(8,220)	-	(8,220)	(7,023)
Exceptional donation towards player costs	8	1,000	-	1,000	1,000
Other operating charges		(6,489)	-	(6,489)	(6,105)
Loan fee income		-	198	198	183
Profit on ordinary activities before interest, depreciation, amortisation and other exceptional items		1,358	198	1,556	186
Depreciation and other amounts written off tangible and intangible fixed assets	12, 13	(888)	(320)	(1,208)	(577)
Exceptional donation	8	2,250	-	2,250	2,000
Gain on sale of players' registrations	4	-	526	526	444
Profit on ordinary activities before interest	8	2,720	404	3,124	2,053
Other interest receivable and similar income	9			-	6
Interest payable and similar charges	10			(193)	(257)
Profit on ordinary activities before taxation				2,931	1,802
Taxation	11			2	3
Profit for the financial year				2,933	1,805

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 2019

	Notes	2019 £000	2018 £000	2018 £000
Fixed assets				
Intangible assets	12		495	337
Tangible assets	13		28,377	26,401
			<u>28,872</u>	<u>26,738</u>
Current assets				
Stocks	15	643		484
Debtors	16	1,420		1,205
Cash at bank and in hand		591		199
		<u>2,654</u>		<u>1,888</u>
Creditors: amounts falling due within one year	17	(13,905)		(9,753)
Net current liabilities			(11,251)	(7,865)
Total assets less current liabilities			17,621	18,873
Creditors: amounts falling due after more than one year	18		(144)	(4,139)
Net assets			<u>17,477</u>	<u>14,734</u>
Capital and reserves				
Called up share capital	24		15,648	15,648
Share premium account	25		11,769	11,769
Revaluation reserve	26		159	159
Other reserves	27		6,941	7,131
Profit and loss reserves			(17,040)	(19,973)
Total equity			<u>17,477</u>	<u>14,734</u>

The financial statements were approved by the board of directors and authorised for issue on 15 Nov 2019 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 2019

	Notes	Share capital £000	Share premium account £000	Revaluation reserve £000	Equity reserve £000	Other reserves £000	Profit and loss reserves £000	Total £000
Balance at 1 July 2017		15,648	11,769	159	155	5,691	(21,933)	11,489
Period ended 30 June 2018:								
Profit for the year		-	-	-	-	-	1,805	1,805
Repayment of Bidco (1874) Ltd loan		-	-	-	-	190	-	190
Funds received from Foundation of Hearts - stadium redevelopment reserve		-	-	-	-	1,250	-	1,250
Bidco (1874) Ltd loan interest holiday discount unwinding in year		-	-	-	(142)	-	142	-
Transfer of reserves		-	-	-	(13)	-	13	-
Balance at 30 June 2018		15,648	11,769	159	-	7,131	(19,973)	14,734
Period ended 30 June 2019:								
Profit for the year		-	-	-	-	-	2,933	2,933
Transfer to debt		-	-	-	-	(190)	-	(190)
Balance at 30 June 2019		15,648	11,769	159	-	6,941	(17,040)	17,477

HEART OF MIDLOTHIAN PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	Notes	£000	£000
Cash flows from operating activities			
Cash generated from operations	34	2,202	1,817
Investing activities			
Payments to acquire player registrations		(540)	(289)
Receipts from sale of player registrations		614	670
Purchase of tangible fixed assets		(3,636)	(12,478)
Proceeds on disposal of tangible fixed assets		5	2
Interest received		-	6
Income taxes received		2	-
Net cash used in investing activities		(3,555)	(12,089)
Financing activities			
Funds from Foundation of Hearts Limited		-	1,250
Funds from exceptional donation		2,250	2,000
Funds received from related parties		-	1,702
Repayment of related party loan		(1,000)	-
Funds received from Bidco (1874) Ltd		700	170
Interest and arrangement fees paid		(35)	(37)
Repayment of finance leases obligations		(170)	(155)
Net cash generated from financing activities		1,745	4,930
Net increase/(decrease) in cash and cash equivalents		392	(5,342)
Cash and cash equivalents at beginning of year		199	5,541
Cash and cash equivalents at end of year		591	199

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

Heart of Midlothian plc is a public company limited by shares incorporated in Scotland. The registered office is Collins House, Rutland Square, Edinburgh, EH1 2AA and its principal place of business is Tynecastle Park, Gorgie Road, Edinburgh, EH11 2NL.

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 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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts, as the company's only subsidiary, Tynecastle Events Limited, is dormant and its inclusion is not material for the purpose of giving a true and fair view of the group. These financial statements present information about the company as an individual entity and not about its group.

Heart of Midlothian plc is a subsidiary of Bidco (1874) Limited, which has its registered office at Collins House, Rutland Square, Edinburgh, Midlothian, EH1 2AA. The results of Heart of Midlothian plc are included in the consolidated financial statements of Bidco (1874) Limited which are available from Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors have prepared cash flow projections through to 30 June 2021. The projections include:

- Continued growth in revenue streams and commercial sources of income from the operation of the new function suite capacity, the supporters' bar and the shop in the main stand;
- The realisation of new revenue streams from the new Skyline Lounge;
- Donations of £500k received in the first quarter of season 2019/2020 and commitment to future funding;
- The availability of the extended £1m loan facility, of which £0.9m has already been drawn down;
- The availability of continued financial support from Bidco (1874) Limited; and
- The continued support of the Foundation of Hearts, contributing £0.1m per month to acquire participation rights in the Bidco (1874) Limited senior loan.

The projections indicate that the company should remain cash positive during the period they cover. Whilst the company is not wholly dependent on the cash inflows from the Foundation of Hearts to continue as a going concern, the Foundation's acquisition of participation rights in the Bidco senior loan, continues to be a vital element of Club 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.

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 is recognised as turnover when received. Exceptional donations relating to the Tynecastle Redevelopment Project are recognised when received but are not classified as turnover as they do not relate to the operating activities of the company. Donations received from Foundation of Hearts Limited relating to the Tynecastle Redevelopment Project are not included in the profit and loss account, but are taken directly to reserves. These funds will eventually lead to Foundation of Hearts taking a majority share ownership in the company, and are therefore treated as a capital contribution. More details are included in note 27.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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 and loans from fellow group companies 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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 Grant income

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.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

2 Judgements and key sources of estimation uncertainty

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:

	2019 £000	2018 £000
Turnover analysed by class of business		
Gate receipts	5,954	5,307
Sponsorship and advertising	877	762
Broadcasting rights	545	82
Commercial	3,782	2,888
UEFA solidarity and prize money	2,494	2,428
Other operating income	1,415	664
	<u>15,067</u>	<u>12,131</u>
	2019 £000	2018 £000
Other revenue		
Interest income	-	6
	<u>2019 £000</u>	<u>2018 £000</u>
Turnover analysed by geographical market		
UK	15,067	12,131

Broadcasting rights consists of monies received from Cup television income and the Club's internal TV streaming subscriptions. Other broadcasting income, received as part of the SPFL prize money, is included within UEFA solidarity and prize money.

Included within other operating income is £500k in relation to a contribution towards the stadium development.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

4 Gain on sale of player registrations

	2019 £000	2018 £000
Proceeds from sale of player registrations	604	670
Costs of player registrations sold or terminated	(78)	(226)
Gain on sale of players	<u>526</u>	<u>444</u>

5 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>18</u>	<u>18</u>
For other services		
Taxation compliance services	5	4
Other taxation services	15	13
All other non-audit services	<u>3</u>	<u>4</u>
	<u>23</u>	<u>21</u>

6 Employees

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

	2019 Number	2018 Number
Players, coaching and football support staff	122	116
Administration and commercial staff	71	50
Part-time hospitality staff	<u>146</u>	<u>109</u>
	<u>339</u>	<u>275</u>

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	7,446	6,370
Social security costs	721	629
Pension costs	<u>53</u>	<u>24</u>
	<u>8,220</u>	<u>7,023</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

7 Directors' remuneration

	2019	2018
	£000	£000
Remuneration for qualifying services	<u>260</u>	<u>221</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£000	£000
Remuneration for qualifying services	<u>178</u>	<u>141</u>

8 Profit on ordinary activities before interest

	2019	2018
	£000	£000
Profit on ordinary activities before interest for the year is stated after charging/(crediting):		
Exchange losses/(gains)	-	3
Depreciation of owned tangible fixed assets	888	332
Amortisation of intangible assets	320	245
Cost of stocks recognised as an expense	765	585
Impairment of stocks recognised or reversed	17	35
Operating lease charges	<u>336</u>	<u>419</u>

During the year the company received a donation of £2,250,000 towards the cost of the Tynecastle redevelopment project and £1,000,000 to assist with the player budget.

9 Interest receivable and similar income

	2019	2018
	£000	£000
Interest income		
Interest on bank deposits	<u>-</u>	<u>6</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>-</u>	<u>6</u>
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HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

10 Interest payable and similar expenses

	2019 £000	2018 £000
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	35	37
Interest payable to group undertakings	92	16
Interest payable to related parties	47	29
	<u>174</u>	<u>82</u>
Other finance costs:		
Finance costs for financial instruments measured at fair value through profit or loss	-	142
Loan arrangement fees on loans from fellow group undertakings	19	22
Loan arrangement fees on related party loans	-	11
	<u>193</u>	<u>257</u>

More details about interest payable and similar expenses are explained in note 19.

11 Taxation

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits for the current period	(2)	(3)

The actual credit for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £000	2018 £000
Profit before taxation	<u>2,931</u>	<u>1,802</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19%)	557	360
Tax effect of expenses that are not deductible in determining taxable profit	3	-
Tax effect of income not taxable in determining taxable profit	(347)	(363)
Change in unrecognised deferred tax assets	<u>(215)</u>	<u>-</u>
Tax credit for the year	<u>(2)</u>	<u>(3)</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

12 Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2018	618
Additions	566
Disposals	(266)
At 30 June 2019	918
Amortisation and impairment	
At 1 July 2018	281
Amortisation charged for the year	320
Disposals	(178)
At 30 June 2019	423
Carrying amount	
At 30 June 2019	495
At 30 June 2018	337

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

13 Tangible fixed assets

	Land and buildings freehold £000	Leasehold property £000	Assets in the course of construction £000	Plant and equipment £000	Memorabilia £000	Total £000
Cost						
At 1 July 2018	6,883	2,544	18,260	2,932	159	30,778
Additions	-	-	2,420	441	8	2,869
Disposals	-	-	-	(8)	-	(8)
Transfers	14,300	-	(18,260)	3,960	-	-
At 30 June 2019	21,183	2,544	2,420	7,325	167	33,639
Depreciation and impairment						
At 1 July 2018	616	1,425	-	2,336	-	4,377
Depreciation charged in the year	466	101	-	321	-	888
Eliminated in respect of disposals	-	-	-	(3)	-	(3)
At 30 June 2019	1,082	1,526	-	2,654	-	5,262
Carrying amount						
At 30 June 2019	20,101	1,018	2,420	4,671	167	28,377
At 30 June 2018	6,267	1,119	18,260	596	159	26,401

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

13 Tangible fixed assets

(Continued)

Stadium Redevelopment

The stadium redevelopment plans continued during the year with the completion of Phase 3, comprising the new UEFA standard changing rooms and physio facilities on the Ground Floor; the new Skyline Lounge on the 3rd Floor and the completion of the new Plant Room under the Roseburn Stand which will service the new Main Stand. At 30 June 2019, a total of £20,680k has been capitalised in the accounts in connection with the Tynecastle Redevelopment Project.

Given the completion of Phase 1 and 2 of the works at the end of June 2018, along with the completion of the pitch replacement works, £18,260k was transferred during the year from 'Assets in the Course of Construction' and allocated to 'Land and Buildings' and 'Plant and Equipment' as appropriate, and depreciated accordingly.

During the year £441k was spent on kitchen, lounge and TV/AV equipment for the Skyline Lounge, a new CCTV system and new boilers for the Gorgie Suite and the pitch heating system – this has been capitalised and included in 'Plant and Equipment'.

14 Financial instruments

	2019 £000	2018 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,169	998
Cash at bank	591	199
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	7,190	7,969
	<u> </u>	<u> </u>

15 Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	643	484
	<u> </u>	<u> </u>

16 Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade debtors	636	417
Corporation tax recoverable	2	3
Other debtors	533	581
Prepayments and accrued income	249	204
	<u> </u>	<u> </u>
	1,420	1,205
	<u> </u>	<u> </u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

17 Creditors: amounts falling due within one year

	Notes	2019 £000	2018 £000
Loans and overdrafts	19	3,972	170
Obligations under finance leases	20	206	166
Trade creditors		2,868	3,494
Other taxation and social security		612	270
Deferred income	22	5,199	4,876
Other creditors and accruals		1,048	777
		<u>13,905</u>	<u>9,753</u>

As explained in note 19 the loans from group undertakings and related parties are now of a current nature.

18 Creditors: amounts falling due after more than one year

	Notes	2019 £000	2018 £000
Loans and overdrafts	19	-	3,912
Obligations under finance leases	20	144	227
		<u>144</u>	<u>4,139</u>

19 Loans and overdrafts

	2019 £000	2018 £000
Loans from group undertakings - senior loan	2,400	2,210
Loans from group undertakings - short-term loan	870	170
Loans from related parties	702	1,702
	<u>3,972</u>	<u>4,082</u>
Payable within one year	3,972	170
Payable after one year	-	3,912

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

During the year the Foundation of Hearts Limited has continued to acquire participation rights in the senior loan between Bidco (1874) Limited and Heart of Midlothian plc amounting to £1.32m (2018 - £190k), in accordance with the Repayment and Funding Support Agreement entered into in May 2014. The Foundation of Hearts Limited will acquire the senior debt from Bidco (1874) Limited, once Bidco (1874) Limited has been repaid in full. Until that time the full amount of the senior loan (£2.4m), remains as a liability due to Bidco (1874) Limited. The first tranche of participation rights acquired in the prior year (£190k) has been reclassified from other reserves in the year to better reflect the nature of the transaction.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

19 Loans and overdrafts

(Continued)

Bidco (1874) Limited provided a number of additional short term loan facilities to the company over the course of the year, amounting to £700k. Bidco (1874) Limited also agreed to extend the short-term loan facility of £170k provided in the prior year, for an additional 12 month period. The total short term facilities owed to Bidco (1874) Limited at 30 June 2019 was £870k. These facilities have been provided on an interest free basis.

In 2017, a director provided a £1.75m loan facility to the company for a period of two years. At 30 June 2018, £1.7m had been drawn down. During the current year the company repaid £1m. The loan has been provided at market interest rates. Subsequent to the year end, the director has varied the facility for another 12 month period, with the outstanding facility of £750k increased to £1m. At 30 June 2019 £702k of this varied facility has been drawn down by the company.

20 Finance lease obligations

	2019	2018
	£000	£000
Future minimum lease payments due under finance leases:		
Within one year	213	199
In two to five years	176	243
	<u>389</u>	<u>442</u>
Less: future finance charges	39	49
	<u>350</u>	<u>393</u>

During the year the company entered into a number of finance leases in order to acquire new kitchen, lounge and TV/AV equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term for the new leases is five years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Provisions for liabilities

Unrecognised deferred tax asset

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

	2019	2018
	£000	£000
Fixed asset timing differences	(68)	155
Other timing differences	34	28
Tax losses available	9,909	9,920
	<u>9,875</u>	<u>10,103</u>

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 foreseeable future for offset.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

22 Deferred income

	2019 £000	2018 £000
Other deferred income	5,199	4,876
	<u>5,199</u>	<u>4,876</u>

23 Retirement benefit schemes

	2019 £000	2018 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	53	24
	<u>53</u>	<u>24</u>

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.

24 Share capital

	2019 £000	2018 £000
Ordinary share capital Issued and fully paid		
156,478,232 Ordinary shares of 10p each	15,648	15,648
	<u>15,648</u>	<u>15,648</u>

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

25 Share premium account

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

26 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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

27 Other reserves

	Foundation of Hearts working capital reserve	Foundation of Hearts stadium redevelopment reserve	Foundation of Hearts Bidco repayment reserve	Total
	£000	£000	£000	£000
At 1 July 2017	<u>3,941</u>	<u>1,750</u>	<u>-</u>	<u>5,691</u>
Foundation of Hearts loan participating rights	-	-	190	190
Funds received from Foundation of Hearts	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>1,250</u>
At 30 June 2018	<u>3,941</u>	<u>3,000</u>	<u>190</u>	<u>7,131</u>
Transfer of Foundation of Hearts loan participation rights to debt (note 19)	<u>-</u>	<u>-</u>	<u>(190)</u>	<u>(190)</u>
At 30 June 2019	<u>3,941</u>	<u>3,000</u>	<u>-</u>	<u>6,941</u>

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. These funds were deemed not to be repayable to Foundation of Hearts Limited and were therefore classified as equity rather than as a liability.

The Foundation of Hearts stadium redevelopment reserve represents the funds advanced by Foundation of Hearts Limited, subsequent to the end of the initial two year period, for the redevelopment of Tynecastle stadium. The Repayment and Funding Support Agreement entered into in May 2014 between Bidco (1874) Limited and Foundation of Hearts Limited, was updated in January 2017 to facilitate this. For the period from May 2016 to May 2018 a total of £3m was provided. These funds are also not repayable to Foundation of Hearts Limited and are classed as equity rather than as a liability.

In accordance with the amendments to this Agreement, a total of 35% of the voting rights attached to the shares held by Bidco (1874) Limited in the company, were transferred to Foundation of Hearts Limited, following the completion of the £3m participation in the redevelopment project. This transfer was completed in May 2018.

In May 2018, in accordance with The Repayment and Funding Support Agreement, the Foundation of Hearts Limited started to purchase participations in the Bidco (1874) Limited senior loan. During the year £1.32m (2018 - £190k) has been purchased. Once the full balance of the senior loan has been purchased, the Foundation will have full rights to repayment under the funding agreement and therefore amounts remain payable and have been classified as debt rather than as equity. Participation rights acquired in the prior year have therefore been transferred to debt.

Foundation of Hearts Limited holds 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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

28 Capital commitments

	2019 £000	2018 £000
Amounts contracted for but not provided in the financial statements:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	<u>237</u>	<u>276</u>

29 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:

	2019 £000	2018 £000
Within one year	283	275
Between two and five years	1,221	1,186
In over five years	<u>1,016</u>	<u>1,335</u>
	<u>2,520</u>	<u>2,796</u>

30 Related party transactions

Remuneration of key management personnel

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

	2019 £000	2018 £000
Aggregate compensation	<u>505</u>	<u>459</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

31 Related party transactions

Other transactions

On the acquisition of the company in May 2014, Bidco (1874) Limited provided a loan of £2.4m to the company. In accordance with The Repayment and Funding Support Agreement, the Foundation of Hearts Limited has purchased participation rights worth £1.5m in this loan. At 30 June 2019 the company owed Bidco (1874) Limited £2.4m (2018 - £2.2m). Interest is payable on the non-acquired section of this loan at market rates.

During the year, Bidco (1874) Limited provided new short-term loan facilities of £700k (2018 - £170k) to the company. In addition, the £170k short term facility provided in the prior year was extended for a further 12-month period. At 30 June 2019, the company owed Bidco (1874) Limited £870k in relation to these obligations. These short-term facilities have been provided on an interest free basis.

Foundation of Hearts Limited is a company in which D Cumming and S Wallace were also directors during the year. As at 30 June 2019, the total amount paid by Foundation of Hearts Limited in connection with the provision of working capital, the contribution to the Tynecastle Redevelopment Project and the repayments to Bidco (1874) Limited was £8.5m (2018 - £7.1m).

During the prior year, Dr A Budge provided the company with a £1.75m loan facility, this facility is financed through a back to back interest-bearing loan facility. The loan facility was provided for a 24-month period and earns interest at the market rate; refer to note 19 for further details. During the year a repayment of £1m was made in relation to this loan facility. The carrying value of the loan outstanding at year end was £702k (2018 - £1.7m).

Subsequent to the year end, the director has varied the facility for another 12 month period, with the outstanding facility of £750k increased to £1m.

Dr A Budge is a director of Big Hearts Community Trust. During the year, the company invoiced £25k (2018 - £14k) and received £25k (2018 - £18k) from the charity. As at 30 June 2019, the company was owed £2k (2018 - £1k) by Big Hearts Community Trust.

During the year, the company purchased construction services from JB Contracts (Scotland) Limited amounting to £1.1m (2018 - £3.3m). At 30 June 2019, the company owed JB Contracts (Scotland) Limited £485k (2018 - £981k). Whilst there is a family connection between Dr A Budge and the director and controlling shareholder of this company, there are no shared business interests. The construction services were procured by our independent 3rd party Construction Manager, who was responsible for the evaluation, selection and appointment of suitable trade contractors, via a structured tender process. The Board are satisfied that the services were purchased on an arm's length basis.

32 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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

33 Subsidiaries

Details of the company's subsidiaries at 30 June 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Tynecastle Events Limited	Scotland	Dormant	Ordinary	100.00	

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

34 Cash generated from operations

	2019	2018
	£000	£000
Profit for the year after tax	2,933	1,805
Adjustments for:		
Taxation credited	(2)	(3)
Net effect of foreign exchange differences	-	3
Finance costs	193	257
Investment income	-	(6)
Gain on sale of registrations	(526)	(444)
Exceptional donation income	(2,250)	(2,000)
Amortisation and impairment of intangible assets	320	245
Depreciation and impairment of tangible fixed assets	888	332
Movements in working capital:		
(Increase) in stocks	(159)	(44)
(Increase) / Decrease in debtors	(234)	280
Increase in creditors	716	545
Increase in deferred income	323	847
Cash generated from operations	2,202	1,817